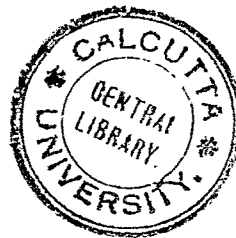


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# THE ACCOUNTANT

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## GENERAL INDEX

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## 1964 - Stop or Go?

**A**FTER the marked economic revival of the past half-year, 1964 opens with the British economy apparently poised for a further period of expansion. Over the past year exports have risen by 7 per cent, compared with an increase of one point less in imports. If this rate can be maintained, the prospects for the United Kingdom overseas payments account are more reassuring than they have been for many years past. Unfortunately, last month's figures suggest that the expansion of exports is slowing down slightly, hence it remains to be seen whether the recent improvement can be fully maintained into the new year. At home unemployment has been reduced to 450,000 and industrial output continues to rise, albeit more slowly than of late. Both the engineering and electrical goods industries report lengthening order books for home and overseas customers and even the machine tool section of the industry may be on the verge of a modest revival.

The Christmas spending spree apart, consumer expenditure has been increasing and the trend should persist into the coming year. Nevertheless, despite the fact that excess capacity is no longer as evident as it has been, there is still ample scope for industrial production to increase. It is still on the demand side rather than on the production side that the limiting factor on economic expansion is to be found. It is not to be expected, however, that the rate of growth in 1964 will match the achievement of the past six months. Yet, for all the slack in industrial and manufacturing capacity that still exists in various parts of the country, there are clear signs of the pre-conditions of an inflationary wages-cost spiral.

It is self-evident that the recent improvement in Britain's export performance is directly related to the relative stability of costs at home, while our Common Market competitors such as Western Germany, France, Holland and Italy have all been experiencing the same problems on the wages front as Britain has tried unsuccessfully to resolve for the past decade and more. The wage awards, made during the past few weeks since the Ford and Vauxhall agreements sounded the death knell of the vestiges of the Government's incomes policy, are taking on a distinctly ominous appearance. Mr MAUDLING has already indicated his disapproval of recent developments by referring the engineering workers' award to the National Incomes Commission for appraisal. The shipbuilding workers' agreement, although not in itself markedly or immediately inflationary, has been rightly attacked on the grounds that nothing has been done to facilitate the more economic use of labour in that industry. The same can also be said of the

apprenticeship scheme in the engineering industry.

Even before the National Economic Development Council can begin to discuss an incomes policy, the London travelling public has been warned of the consequences of the new award to bus crews, and in the light of prospective demands from the railway unions, it is easy to see why the Government is becoming increasingly anxious about the future. If any faint hope is to be derived from the readiness of the N.E.D.C. to discuss incomes, it must be based upon the belief that the T.U.C. representatives can exert more pressure on the constituent unions than has been evident in the past. It is not so much free collective bargaining within the individual industries that is at fault, as the belief that a substantial wage award based on circumstances peculiar to a particular industry should be mandatory on every other industry, quite regardless of its contribution to the National Productivity Year. As matters now stand, the future of Britain's economic expansion hinges on the question whether her overseas competitors will prove more successful in curbing the upward drift of their production costs than Britain has been.

The imminence of a General Election is hardly calculated to expedite a solution to this intractable problem. Nor would it be sanguine to expect that a change of Government will make much difference. In large measure the root cause of the wage-cost inflation is the willingness of employers to pay the higher rates. For this reason the outcome of the debate on resale price maintenance could be all important. If this practice were to be proscribed in the coming year, then the forces of competition in a number of industries would soon be reflected in labour market conditions. While the controversy over the introduction of trading stamps in retail distribution outlets has brought the matter into prominence again, the latest report from the Monopolies Commission on price maintenance and profit margins in electrical goods used in the production of motor vehicles could have an even greater impact. The recent and current recruits to the growing army of motorists are likely to be rather more conscious of the maintenance costs of their status symbols than their opposite numbers enjoying the benefits of 'business' motoring. The repercussions of the abandonment of resale price maintenance would extend well beyond the boundaries of the grocery

trade. It could even generate the competitive conditions which were expected if Britain had been admitted into the European Economic Community. Such a result could prove to be the answer to the unions' demand for some control of profits.

The recent White Paper on Government spending for the next four years demonstrates just how the CHANCELLOR's hands are tied in the matter of tax reliefs. Even this prospective increase in public expenditure can only be met out of existing taxation provided the economy maintains its current rate of growth. And even if the overall burden of current taxation cannot be changed in 1964, there is no obvious reason for believing that the CHANCELLOR will be able to redistribute the burden through changes in the tax structure, especially if the Richardson Committee should reject the case for substituting the purchase tax and/or profits tax by an added-value style turnover tax. Should the national product not grow at the rate required by the N.E.D.C. plan, taxes will have to be increased, unless the Government is then prepared to renounce its plans, or some part thereof, for education, the aged and housing.

The coming year will find the Government increasingly forced to choose between early action to restrain the inflationary increase in consumer spending unless, of course, it is prepared to cut back on public spending, and to allow the expansion and inflation to continue lest a reversion to the so-called 'stop-go' policies of recent years damage its electoral prospects. Either course has its obvious dangers. The current state of the reserves and the larger drawing facilities on the International Monetary Fund and other institutions do not provide the complete answer to a loss of confidence in sterling by foreigners, which could follow the Government's adoption of either of these two policies. No doubt higher interest rates to retain overseas funds must be regarded as an inevitable supplement to a Budget which, restrictive though it may be by election standards, can hardly be expected to take the full strain of adjusting current disposable incomes to current resources.

If the economy appears currently to be bathed in sunshine, there are enough clouds on the horizon to suggest that whichever political party is in power, it will have to face autumnal squalls, albeit perhaps for rather different reasons.

## Capital Intensive Retailing

TIME was when the idea of increasing the amount of capital employed per operative was considered in terms of the extractive and manufacturing industries only. For a number of years, however, it has been apparent that capital per employee was rising rapidly in the distributive trades as well, both wholesale and retail. For example, it has been very evident in the last year or two that the national annual level of capital investment has been sustained to no small extent by capital investment in large retailing groups.

Even in wholesaling there have been significant changes. Total fixed capital expenditure in wholesale distribution went up from £55.9 million in 1959 to £68.7 million in 1962 according to the latest figures released from the annual inquiries made under section 1 of the Statistics of Trade Act, 1947. This was an increase of 17 per cent.

More spectacular, but not unconnected with the rise in capital expenditure by wholesaling, has been the advance of capital-intensive self-service in retailing. Figures have now been released in the *Board of Trade Journal* for December 20th which bring together certain statistics from the Census of Distribution for 1961 with a voluntary inquiry made among retailers last spring. According to these figures there were some 3,900 self-service shops with a turnover of £207 million in 1957 and there were 9,420 shops of this kind in 1961 with a turnover of £527 million. By early 1963 there were 11,000 such shops and this figure was increasing at a rate of one hundred a month.

There are several definitions of 'self-service shop' but the one adopted for the official statistics is that of a self-service shop with a minimum floor space of 2,000 square feet and three or more check-out points. The overwhelming majority of such shops sell groceries. In the shops covered by the official survey, self-service operated throughout all grocery shops and accounted for about 91 per cent of the turnover of all shops.

Over the years 1957 to 1961, the co-operatives had the largest group of self-service shops but they were being overtaken by the grocery multiples. The average turnover of a self-service shop in 1961 was £55,000 compared with £13,000 in other grocery shops. Over the whole country at

that date there were fifty grocery shops with a turnover above £500,000, of which thirty-five were self-service. Average sales per shop assistant were £6,200 in self-service shops and under £4,700 in other grocery shops. There was also a tendency for sales per assistant to increase for a given size of self-service shop between 1957 and 1961 – an increase which was too large to be accounted for by higher prices. Sales per employee in co-operative society grocery shops were higher than in multiples, mainly because co-operative branches do an important cigarette trade. But in big multiple grocery branches with turnover above £100,000, sales per employee were higher both in self-service and counter-service shops than in corresponding co-operative branches.

There were important regional differences. Although the co-operatives are stronger in the Midlands and the North (notwithstanding that they form the biggest self-service group and operate on a country-wide basis), one-quarter of all self-service shops covered by the survey were in London and the South-east. Not surprisingly, therefore, the mortality rate of grocery establishments was significant in the London and South-east areas over the five years, whereas over the country as a whole it was not.

It is apparent from the five-year survey that there was a trend towards smaller sales per square foot as the size of self-service shops increased. Accurate figures of stock-turn in the census returns are difficult to pick out because returns were made for organizations as a whole. But where the small number of fully self-service shops could be identified they showed a rate of stock-turn about one-and-a-half times that of other organizations. Their gross margins were only 14 per cent compared with 19 per cent for fully counter-service shops, while corresponding figures for wages and salaries as a percentage of turnover were 6 and 10, respectively.

The Board of Trade estimates that towards the end of 1963 the number of self-service outlets in Britain was about thirteen thousand. It seems that it will be only a matter of time before the heavy concentration of self-service shops spreads from the London area throughout the country. •

# Liquidators and Judgment Creditors

## COMPETING RIGHTS AFTER GARNISHEE ORDERS

by W. H. D. WINDER, M.A., LL.M.

**T**HE claims of the liquidator who acts on behalf of all the creditors of the company are always likely to be found competing with the claims of particular creditors who wish for some priority in the settlement of their own demands. Their position may appear to be strengthened if they are judgment creditors supported by a garnishee order. But section 325 of the Companies Act, 1948, considerably modifies the arguments which they could otherwise put forward on this account. This section contains restrictions on the rights of a creditor as to execution or attachment in the case of a company being wound up in England.

### Execution or Attachment

A section in the terms of the present section 325 (omitting proviso (c)) was first introduced into the code of legislation dealing with the liquidation of companies in 1929. It is in the same terms, with appropriate modifications, as section 40 of the Bankruptcy Act, 1914. Before 1929 there was no statutory provision to this or any like effect applicable to the winding-up of a company. In the case of a compulsory winding-up, however, what is now section 227 of the 1948 Act (derived from section 153 of the Companies Act, 1862) rendered every disposition of the company's property made after the commencement of the winding-up void. And what is now section 228 of the 1948 Act (derived from section 163 of the Companies Act, 1862) rendered void every attachment, sequestration, distress or execution put into force after the commencement of the compulsory winding-up. A compulsory winding-up, of course, is normally deemed to have commenced at the time of the presentation of the petition. These sections and their predecessors had no application to a voluntary winding-up.

In a voluntary winding-up the Court had a discretionary jurisdiction to restrain a judgment creditor from levying or completing execution. But, unless he was so restrained, a judgment creditor was perfectly entitled to enforce his judgment by execution, notwithstanding that by doing so he obtained an advantage over other

unsecured creditors, whether he initiated his execution before or after the commencement of the voluntary winding-up or before or after receiving notice of an intention to wind up the company. The present position is very different.

The rule embodied in section 325 (1) is that 'where a creditor has issued execution against the goods or lands of a company or has attached any debt due to the company, and the company is subsequently wound up, he shall not be entitled to retain the benefit of the execution or attachment against the liquidator in the winding-up of the company unless he has completed the execution or attachment before the commencement of the winding-up'.

These words of the section are subject to three provisos, the first and third being the most important. They read:

- '(a) where any creditor has had notice of a meeting having been called at which a resolution for voluntary winding-up is to be proposed, the date on which the creditor so had notice shall, for the purposes of the foregoing provision, be substituted for the date of the commencement of the winding-up;
- '(c) the rights conferred by this subsection on the liquidator may be set aside by the Court in favour of the creditor to such extent and subject to such terms as the Court may think fit'.

### The Benefit of the Attachment

Proviso (a) introduces special dates for the commencement of winding up for this purpose. The normal date for other purposes is the time of the passing of the resolution for voluntary winding up (section 280) and, in the case of compulsory winding up, either the time of the presentation of the petition for winding up (section 229 (2)) or (if there has been a previous resolution for voluntary winding up) the time of the passing of such resolution before the petition.

Section 325 does not make executions or attachments void if they are uncompleted at the date specified in the section. It does not even say that they shall be ineffective as against the liquidator. It provides that the judgment creditor shall not be entitled to retain what is called 'the benefit of

the execution or attachment'. This vital phrase was the subject of an important ruling in the case of *In re Rainbow Tours Ltd* ([1963] 3 W.L.R. 45). Liquidators will derive considerable practical guidance from the interpretation of the section which was accepted in this case.

The facts which led to the competition between liquidator and judgment creditor were as follows. In the course of its business of providing continental holidays for the summer season of 1961, the company became indebted to the respondents in the sum of £1,233 19s. From October 1961 onwards the respondents demanded payment of the amount from time to time. No payment was made and the respondents brought an action to recover the amount and signed judgment on March 9th, 1962. Thereupon they issued a writ of *fieri facias* which proved abortive.

The company offered to meet its liability in the summer of 1962 and at an informal meeting of creditors on April 2nd, 1962, made proposals about continuing the business and thereby meeting its liabilities. The respondents were not satisfied with those proposals. On April 3rd they obtained a garnishee order *nisi* on the balance standing to the company's credit in its bank account. On April 17th the order was made absolute in spite of the company's opposition, the respondents giving an undertaking to retain the money for one month. On April 25th, pursuant to the garnishee order, the company's bank paid a sum of £576 2s 7d to the respondents, being the balance on the company's accounts.

### Completion of Attachment: Payment

Meanwhile, on April 14th, 1962, the respondents received notice from the company of a meeting of creditors to be held on April 30th. On that day the company went into a creditors' voluntary winding-up. In November 1962 the liquidator issued a summons seeking to recover the sum received by the respondents under the garnishee order. The liquidator sought to rely on section 325 of the Companies Act, 1948. It was held that the liquidator's claim to the money failed and that the respondents were entitled to keep it.

There is no provision in the Act requiring a judgment creditor to restore the fruits which he has succeeded in gathering in. Mr Justice Buckley held that the words of the section had a clear and restricted meaning, confined to the charge on the company's property occasioned by the execution or attachment so far as that charge was for the time being operative. He explained that 'to the

extent that the judgment creditor succeeds in obtaining satisfaction of his debt without coming into collision with the liquidator, that charge is discharged and *pro tanto* the benefit of the execution within the meaning of the section ceases to exist'. By attachment of a debt the garnishor, to the extent that he succeeds in obtaining payment from the garnishee, procures satisfaction of his judgment out of an asset of the company which the liquidator has not yet got in. The process is one which of itself does not occasion any collision between the garnishee and the liquidator.

It might be otherwise if the liquidator in the name of the company were to sue the garnishee (the bank in this case) for the debt before payment by him to the garnishor and the garnishee were to interplead, that is, to ask the Court which one of the two he should pay. Nothing of this kind happened in the present case.

The judge also stressed the point that the section does not provide, at any rate in terms, that the creditor shall be disentitled to retain the benefit of the execution or attachment as from the commencement of the winding-up or any other particular time. Buckley, J., reached the following conclusion:

'It appears to me that the effect of the section must be considered in the circumstances existing at any moment at which the creditor seeks to enforce or assert his rights in virtue of the execution or attachment against the liquidator or the liquidator seeks to do something which he could not do if in fact the creditor then retained the benefit of the execution or attachment. If before that moment the creditor obtains satisfaction or partial satisfaction of his debt, thereupon the benefit of the execution is *pro tanto* spent and will no longer exist when that moment arrives.'

### Similar Position in Bankruptcy

The result can be expressed by saying that the judgment creditor could retain the benefit of the execution, in the sense of retaining the money which had been paid under the execution before the date of the winding-up, but he could not go on having the benefit of an operative garnishee order. Buckley, J., put the matter in a somewhat different way from this. He said that it was not permissible to interpret the words 'the benefit of the execution' as though the phrase were 'the benefits of the execution' or 'any benefit of the execution'.

The interpretation given to the Companies Act in *In re Rainbow Tours Ltd* was the same as that which had been given to the Bankruptcy Act on

analogous wording by the Court of Appeal after some conflict of judicial opinion. That conflict was resolved in the case of *In re Andrew* ([1937] 1 Ch. 122). The order of events in that case was: (1) judgment; (2) execution; (3) conditional withdrawal of the sheriff on terms of payment by the debtor to the creditor of certain instalments some of which were duly paid; (4) an act of bankruptcy; (5) re-entry by the sheriff and sale; (6) receiving order. The sheriff paid the proceeds of the sale to the trustee and none of these were in issue in the case. The question was whether, notwithstanding section 40 of the Bankruptcy Act, 1914, the judgment creditor was entitled to retain the instalments which had been paid. He had received these before he had notice of the act of bankruptcy and, indeed, before the act of bankruptcy had been committed.

### Benefit of Execution

The Court of Appeal cited with approval passages from a judgment of the Divisional Court in *In re T. H. Godwin* ([1935] Ch. 213), where it was said that the phrase 'the benefit of the execution', on the true construction of the section, refers solely to the protection obtained by an execution creditor by reason of his execution, and does not describe any payments to an execution creditor whether by the sheriff or by the judgment debtor. The Court of Appeal said that, to the extent that a creditor has been paid his debt under and in virtue of an execution, the debt is *pro tanto* discharged, and to that extent there is nothing on which section 40 can operate. The vital passage from the Court's judgment is this:

'Section 40 can only apply if or to the extent that there is a subsisting execution which is still operating to charge the debtor's goods, and it cannot operate in so far as goods have already been sold and the proceeds applied to the partial discharge of the debt, or where payments on account have been made by the debtor in partial discharge of the debt in order to avoid seizure or sale, or to induce a temporary withdrawal by the sheriff.'

To the extent that the debt had been actually discharged, it was impossible to apply to money so paid the appellation of 'the benefit of the execution'. The money so paid, according to the Court of Appeal, becomes the money of the creditor with the result of wiping out *pro tanto* the debt.

Even though the judgment creditor in *In re Rainbow Tours Ltd* obtained such money as there was in the banking account which was the object

of the garnishee order he nevertheless undertook to retain it for one month in his own control. An undertaking of this kind is not uncommon. The month had not run out at the date of the actual commencement of the winding-up, still less at the date of the winding-up for the purposes of section 325 (1) (a). This latter date (the date of receiving notice of a meeting at which a resolution for voluntary winding-up was to be proposed), April 14th, even preceded the date of the handing over of the money to the garnishor and even the date of the making absolute of the garnishee order *nisi*. The order *nisi* was made before such date.

It was argued for the liquidator that in view of the undertaking the money was received by the judgment creditor in some kind of fiduciary capacity and that therefore he could not retain it beneficially, at least in full. The object of the undertaking may have been to ensure that if on any ground a liquidator should thereafter succeed in establishing a right to recover the amount of the garnished debt from the creditor a sufficient fund would be available. But the terms of the undertaking were not, in the opinion of Buckley, J., such as to make the receipt of the £576 by the creditor anything less than receipt of that sum for his own use and benefit.

### Judgment Creditors not Stakeholders

'If the liquidator were to succeed in recovering that amount, I apprehend', said Buckley, J., 'that the position as between the respondents and the liquidator would be as though no garnishee order had ever been made, but in setting about recovering it the liquidator must, in my judgment, accept that the respondents as judgment creditors have in fact procured payment of the amount to them not as stakeholders or in any such fiduciary capacity but as judgment creditors by means of an attachment.'

And, for the reasons already given, the liquidator did not succeed.

In fact the money at the time of the action was still intact, being held by the respondents' solicitors. They did not hold it on account of anything contained in the garnishee order. The solicitors were merely the agents in this respect of the respondents. The fact that the money was in their hands and in those of the respondents was of no significance. The fact that 'the money is still there' in some identifiable fund may be a pleasant financial fact but it is the legal interpretation of the statutory words which resolves the competition between liquidator and judgment creditor.



# Cheque Crossings and Endorsements

CONTRIBUTED

**I**F I receive a cheque in payment for services rendered, goods supplied, or for any other purpose, I normally take it to my bank, fill in a 'paying in slip' and leave the rest to the bank in the full expectation that the amount will be credited to my account by the time I wish to draw on it.

Notwithstanding the fact that:

'a cheque is an unconditional order in writing signed by the person giving it, requiring the banker to whom it is addressed to pay on demand a sum certain in money to, or to the order of, a specified person or to bearer',

one rarely looks at the signature or even the name of the bank on which the cheque is drawn - 'the sum certain in money' is the really interesting feature, and one is content to leave the rest to one's own banker. In other words, the banker is being used as a collecting banker and provided he acts in good faith and without negligence for a customer, then by section 4 of the Cheques Act, 1957, he will avoid the automatic liability for conversion arising from the collection of the proceeds of cheques for someone with a defective title or no title at all. If he collects for the true owner, he is secure in any case, but if he collects for someone other than the true owner he may not get protection under section 4 above.

## Owner's Carelessness

Trouble with cheques has arisen most frequently from the carelessness of the true owner, or the dishonesty of someone else. If the owner endorses a cheque preparatory to paying it into his bank and he then loses it or has it stolen from him, it is quite possible for the finder or the thief to present it to the bank and get payment for it. If the thief has no bank account, he may persuade some innocent third party to take it for value and pay it into his account. Since there has been no forgery the bank is free from liability. After all, the banker is under a duty to pay his customer's cheques and failure to pay without adequate reason will render him liable to his customer for damage to his credit.

Most drawers cross their cheques in order to make it difficult for a thief to obtain payment. The endorsement on an open cheque is easily forged, but for a crossed cheque a collecting

banker must be employed and the delay entailed does at least give time for the owner to discover his loss and for the drawer to 'stop' payment. Even though the thief may have obtained payment, unless the cheque is made out to 'bearer' the owner can recover from the person for whom it was collected, whether he be the thief or not.

By the Bills of Exchange Act, 1882, section 76, it is laid down:

(1) Where a cheque bears across its face an addition of:

- (a) the words 'and company' or any abbreviations thereof between two parallel transverse lines, either with or without the words 'not negotiable'; or
- (b) two parallel transverse lines simply, either with or without the words 'not negotiable',

that addition constitutes a crossing and the cheque is crossed generally.

(2) Where a cheque bears across its face an addition of the name of a banker either with or without the words 'not negotiable', that addition constitutes a crossing, and the cheque is crossed specially and to that banker.

There is a growing practice of requiring a debtor who pays by cheque to incorporate the words 'account payee' or 'account A.B.'. Although there is no legislative sanction for this type of crossing, it has received recognition by the Courts as an instruction to the collecting banker to collect only for the payee's account.

Section 77 of the 1882 Act allows the holder as well as the drawer to add any of the recognized crossings, and bankers may also cross customers' cheques specially to themselves. A crossing authorized by the Act is a material part of the cheque, and any alteration or obliteration except as authorized by the Act is illegal.

## Effect of Crossings

As stated, the main object in crossing a cheque is to ensure as far as possible that the right person receives payment for it from a banker, and the actual effect of the various crossings is as follows.

An open cheque is discharged if payment is made to the holder, in good faith and without negligence. Cheques crossed generally, should

only be paid by the drawee banker to the collecting banker unless he is absolutely certain that he is paying the true owner. If he fails to pay a banker and pays somebody who is not the true owner, he will still be liable to the true owner. If cheques are crossed specially, the drawee banker should pay only the banker stated in the crossing, again unless he knows that he is paying the true owner.

A negotiable instrument is one that has the facility to transfer a legal title free from equities. To add to the crossing of a cheque the words 'not negotiable' means, therefore, that the cheque cannot be passed freed from defects. In fact the Act states: 'Where a person takes a crossed cheque which bears on it the words "not negotiable" he shall not have, and shall not be capable of giving a better title to the cheque than that which the person from whom he took it had.' Thus, if a thief persuaded an innocent third party to give him cash for a crossed cheque marked 'not negotiable', the third party would obtain no title to the cheque, and if he obtained payment from the drawee bank could be made to make restitution to the true owner.

### Banker's Liabilities

If a cheque is crossed 'Account payee' or 'Account John Smith' there is no statutory recognition of such a crossing, but the Courts have recognized it as an instruction to a banker to collect only for that particular account and any banker ignoring that instruction does so at his peril. Only if he is absolutely certain that the person for whom he collects the cheque is the true owner is he justified in ignoring the crossing – in any other case he may be liable to the true owner in conversion. By ignoring the words 'Account payee' he is likely to lose the statutory protection available to him as collecting banker under section 4 of the Cheques Act, 1957. A cheque may be crossed 'Account payee' in favour of some person who has no bank account, and such a person would probably request a third party to cash it for him. In such a case the collecting bank would be expected to make inquiry of the payee as to the title of their customer.

On the other hand, the drawee banker will ignore the words 'Account payee' and treat the cheque as one crossed generally. Provided that he pays the collecting banker, the instruction 'Account payee' is not his concern and he cannot be saddled with the responsibility of checking that the collecting banker has obeyed his instructions. The words are merely a direction to the collecting banker and do not interfere in any way

with the negotiability of the cheque. If the cheque is endorsed in blank by the payee and then lost or stolen, the finder or thief can negotiate it to a holder in due course who will get a good title to it and will be able to enforce payment by the drawer, even though he may find difficulty in getting it collected for him by a banker.

It will be seen that the protection given to the true owner by the 'Account payee' crossing alone is very limited. However, if the crossing 'Account payee' appears in conjunction with the words 'not negotiable' on a crossing, then the protection is so much greater. This is well illustrated in the case of *National Bank v. Silke* ((1891) 1 Q.B. 435). The defendant drew a cheque payable to the order of one, Moriarty, and crossed by the drawer 'Account of J. F. Moriarty Esq., National Bank, Dublin'. Moriarty endorsed the cheque and sent it to the plaintiffs, the National Bank at Dublin, directing them to credit his account with that sum. The plaintiffs wrote acknowledging the 'receipt of the cheque for your credit' and the amount was paid to Moriarty's credit for immediate use before the cheque was cleared. The cheque was subsequently dishonoured, the defendant having 'stopped' it on the ground that it had been obtained by misrepresentation. The Dublin bank applied to Moriarty for repayment and failing to get it, re-presented it to the drawee bank, and again it was returned.

An action was brought against the drawer, and the plaintiffs got judgment. Silke appealed, and it was held that the plaintiffs were holders of the cheque 'in due course' and were entitled to succeed against the drawer – notwithstanding the misrepresentations of Moriarty – because the bank, acting in good faith, had given value for the cheque and were unaware of the misrepresentation. They were deemed to have given value because it had been paid into the bank on the footing that it could at once be drawn on, it was drawn on, making the bank 'holder for value'. If the cheque had been crossed 'not negotiable', the bank could not have had any better title than Moriarty had, and as his title was voidable the bank would have lost its case.

### Conclusion

To sum up. The drawee banker must be able to verify his own customer's signature, and provided he either pays the true owner, or pays another banker in accordance with the crossing, he gets a valid discharge. He must pay in good faith, without negligence, and is not concerned with the endorsements.

A collecting banker must act in good faith, with-

out negligence, and for a customer. This means that a heavier duty of care is imposed on the collecting bank, for the Act is not clear in giving any definition of 'customer' or 'negligence'. The first transaction of a person with a bank is enough to constitute him a 'customer' but the bank would be negligent if it allowed him to open an account without taking up his references. The main test of 'negligence' is whether the circumstances surrounding the transaction are sufficient to cause a reasonable business man to be put on inquiry.

Finally, the drawer can get the maximum protection if he crosses his cheque specially to a banker and adds the words 'not negotiable' and 'account payee'. The collecting bank is then put on inquiry if it is asked to collect for any other account, and also if the cheque is stolen the thief cannot pass a good title. A further safeguard to the drawer is the use of the modern type of crossed cheque which has the crossing incorporated in the design, rendering abortive any attempt to remove the crossing.

## Weekly Notes

### NEW YEAR HONOURS

THE New Year Honours List appeared as we went to press last Wednesday and we have pleasure in congratulating those members of the profession who are named, among whom are the following:

Mr Henry Benson, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales and a partner in Cooper



Mr Henry Benson

Brothers & Co, of London, becomes a Knight Bachelor, as do Mr N. R. R. Brooke, C.B.E., J.P., F.C.A., managing director, Guest Keen & Nettlefolds Ltd (South Wales), for political and public services in Cardiff; Mr E. M. Clayson, F.C.A., chairman and joint managing director, the Birmingham Post and Mail Ltd; Mr A. R.

Mathewson, C.B.E., C.A., managing director, The North British Distillery Co Ltd, for political and public services in Edinburgh, and Mr J. N. Toothill, C.B.E., F.C.W.A., a director of Ferranti Ltd (Edinburgh), for services to Scottish industry.

Two members of the profession receive the C.B.E.: Mr W. H. G. Cocks, F.S.A.A., F.I.M.T.A., County Treasurer and local taxation officer, Glamorgan County Council, and Mr Rodway Stephens, F.C.A., for services to the City of London.

The O.B.E. has been awarded to Mr J. E. Hawkins, LL.B., F.C.A., industrial accountant, Ministry of Commerce for Northern Ireland; Mr H. W. C. King, M.B.E., F.I.M.T.A., Borough Treasurer of Loughborough and chairman of Loughborough Savings Committee; Mr A. G. Smith, A.I.M.T.A.,

of the special services branch, Ministry of Education, and Mr L. F. S. Watson, F.A.C.C.A., managing director, Fluidrive Engineering Ltd, of Isleworth, Middlesex.

Mr J. S. C. Gill, F.A.C.C.A., accountant, Department of the Registers of Scotland, Edinburgh, receives the M.B.E.

### CHRISTMAS GIFT VOUCHERS TAXABLE

CHRISTMAS is a customary season for the making of gifts but that fact does not exempt a recipient from income tax if otherwise appropriate. In *Laidler v. Perry* and *Morgan v. Perry* reported in *The Financial Times* on December 19th, Mr Justice Pennycuik dismissed appeals by two employees of a manufacturing company against a decision of the Special Commissioners that they were liable for tax on £10 Christmas gift vouchers from the group parent company. In this connection the rule is that tax is chargeable on all payments made to the holder of an employment as such, i.e. by way of remuneration for his services, even though made voluntarily, but not including a mere gift or present (*Reed v. Seymour* (11 T.C. 625; 6 A.T.C. 433)). Thus Christmas gifts of cash attracted tax in *Wright v. Boyce* (38 T.C. 160; 37 A.T.C. 233) as did gifts of clothing which staff were permitted to take up at a well-known tailors to a value of £15 each, although the charge was limited to the second-hand value of the articles (*Wilkins v. Rogerson* (39 T.C. 344; 39 A.T.C. 425)).

In *Laidler v. Perry* and *Morgan v. Perry* the subject-matter of the gifts took the form of vouchers which could be exchanged for goods at a named store. The vouchers were given regularly over a number of years to all employees in certain grades, without any regard to their personal circumstances, their personality or to the way in which they had carried out their duties. Although the gifts were made to help keep the staff happy and to foster a spirit of personal relationship with the management, which was in fact manifested by reciprocal letters of goodwill and thanks, it was held that this did not warrant the inference that the gifts could be regarded solely

as an expression of social and human relationship. Mr Justice Pennycuik did not find the Commissioners' conclusions unreasonable and he upheld their decisions in favour of the Revenue.

### REVENUE NOTES ON CASE VIII

**F**OLLOWING the changes introduced by the Finance Act, 1963, the Inland Revenue have prepared a sixty-four page explanatory booklet entitled *Notes on the Taxation of Income from Real Property*, copies of which are obtainable from tax offices. The text is divided into 164 paragraphs and four appendices, including forty examples.

There has already been much discussion of the terms of the new provisions and perhaps one of the most useful features of the booklet is to be found in the indications which it gives of the Revenue attitude to certain ambiguous situations. Thus it is contemplated that taxpayers will only have to deal with a single tax office, although this procedure may be modified, e.g. where the presence of a local agent makes this convenient (paragraph 63).

If accounts are made up to a date other than April 5th, the inspector will normally accept the results which they show as conterminous with the fiscal year in which the period ends, subject to any necessary adjustments, using the layout of a Case I computation (paragraph 138). On the other hand, paragraph 99 states that inspectors may require receipts in support of expenses claims (paid cheques are not mentioned). However, the timing of expenditure by reference to the 'paid' date may be abandoned in favour of the 'payable' date in certain cases of hardship (paragraph 100). This may be only one of a spate of extra-statutory concessions, e.g. the inflexibility of the preceding year basis of collection is capable of modification at the discretion of the inspector where hardship might be caused (paragraph 62).

Paragraph 40 states that a taxpayer who sublets part of his business premises may continue to include the rent in his Case I computations. Appendix I contains a list of items of expenditure admissible for Case VIII purposes. It is, however, surprising to find that the expression 'entitled' in section 15 (2) is interpreted so as to exclude apportionment where income changes hands. This could give rise to serious anomalies and it seems that the issue of this booklet has left many problems without a final solution.

### EXECUTIVE SALARIES

**T**HE Executive Selection Division of Associated Industrial Consultants has carried out a survey on executive salaries on a sample of 1,500 questionnaires. The results are interesting and to some extent unexpected.

The survey finds little evidence of 'too old at 45'. Of the eleven positions covered, only four had an average age of below 45. These were chief accountants

(42.1), cost accountants (42.6), production controllers (44.1) and export sales managers (44.8).

Attention is drawn by the firm making the survey to the failure of companies to revise their salary structures often enough. The size of the company has more effect on salaries than the type of industry. Numbers earning over £4,000 a year have risen by 2.2 per cent since 1962. The most favoured group have been export sales managers whose median salary has risen by 30 per cent and the least favoured are chief engineers where the median salary was in some cases lower than in 1962. The salaries of those below £2,000 a year have remained static in trend.

The report finds that the payment of bonuses, based on profits or otherwise, is diminishing. Whereas 53 per cent of the A.I.C. sample in 1962 received bonuses only 41 per cent did so in 1963.

The provision of company cars remains unchanged but more people are receiving subsidized lunches.

### FISCAL CHANGES IN ARREARS

**T**HE recent White Paper on the future trend of Government expenditure has already been interpreted as denoting that there is little prospect of tax remission in the 1964 Budget. On the other hand, there are various means of raising revenue and no one who has made even a cursory study of the British tax system could regard it as perfect. While it may be difficult to assemble empirical evidence of the ill effects on the economy of the current rates of direct taxation, it is equally difficult to find anyone who is conversant with business practice who does not agree that direct taxes are too high. For this reason the report of the Richardson Committee on the merits of introducing a turnover tax of the added value variety is eagerly awaited.

This is not the only fiscal item about which more information is needed. As *The Times* pointed out in no uncertain terms on Monday, we are still awaiting the outcome of the departmental inquiry into the possibility of simplifying corporate taxation. Likewise, apart from advertisements some time ago in the daily Press, there is no evidence of the progress, if any, which the Department of Customs and Excise has made towards meeting the widespread demand for an effective tax on gambling.

*The Times* noted, not without good cause, that there is nothing so effective as the appointment of a committee for deferring action. Indeed, the point has been made in recent years that unless the Government is prepared to implement the reports of such committees, it will become increasingly difficult to find people willing to waste their time on the Government's behalf in serving as committee members. What is needed above all else is the willingness of official departments to rid themselves of a natural inertia and unwillingness to change. We all know the transitional difficulties of making tax changes, that some revenue may be lost, that some modest inequity may arise.

With all the respect which is due to the taxing

departments, any Chancellor who wishes to see changes made should never appoint departmental committees. The answer is an outside body of experts which can be given, within its terms of reference, enough leeway and scope to recommend a practical policy even if it is not the perfect solution. After all, why the pretence that the *status quo* is preferable to any alternative? And just in passing, while on the matter of simplification of the taxing

statutes, only the Inland Revenue could have produced Case VIII as the answer to the simplification of Schedule A!

Incidentally, while we are waiting on the Chancellor's advisors, could not his colleague at the Board of Trade give some indication of the pigeon-hole in which the Jenkins Committee's report on company law reform has come to rest during the past eighteen months?

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 205

THE managing director scanned our six-months' forecast of departmentalized profits and paused ruminatively at the schedule of shirt factory figures. I knew what was coming when I saw him tapping his little gold pencil on the page. This quite unconscious gesture invariably indicates that some probing questions will follow, usually disguised as mild reflections with an interrogatory pause for comment, and close attention is essential. Sometimes I feel vaguely that idealism demands that I draw his attention to this little mannerism, but so far idealism has gone unsatisfied. You never know, he might feel embarrassed; worse, he might discontinue his warning habit.

So I was forewarned when he commenced to ruminate on unit costs and plant down time. I sat back with finger-tips pressed eloquently together and a brooding expression and let him have the facts. There had been less than perfection on the policy side, admittedly (this sapient euphemism means that the factory manager had put his foot in it), but all was well. Accounts had come to the rescue; the crisis was past.

On this occasion the internal auditor had covered himself with glory. Browsing through the weekly output books for collar-attached and men's sports lines, he'd spotted the discrepancies as compared with target figures. We usually work on a 10 per cent tolerance for plant down time, this figure having been strongly supported by the factory manager, though I think that the directors felt improvement to be possible. However, with the delays due to repairs and to the changes in production patterns, he made a good case.

On investigation our audit man found that plant utilization actually was well below 80 per cent for four months past, so he queried it with the foremen on the job. These characters were voluble about small orders and short runs, and suggested that we should stock-

pile more intermediate, as well as finished, products to keep the machines humming. So our man went to the planning co-ordinator.

Here he met with a somewhat haughty reception. The planning expert is one of these methodical, unhurrying types who combines large spectacles with an allergy to being questioned. He explained ultimately that so far as his job was concerned (though naturally, he said, it was the vital link and the salient control-point and so on) he merely co-ordinated sales orders with stock-balance requirements and issued corresponding production plans to the operating section.

He said indignantly that, of course, he always endeavoured to facilitate optimized patterns by correlating small individual orders into unified major runs, but we know that he uses long words to cloak a guilty conscience.

However, the multiplicity of small special orders was the obvious point of attack. We seemed to have every possible variation of button-down collars and round necklines and towelling sweatshirts and even a mandarin-style model. Each of them entailed short runs and long down times, as well as most complicated and incomprehensible pricing. We pretended, of course, not to notice the special 'special order' for Majorca-based designs for the family of a very top-level executive indeed. If they'd been costed out accurately he'd have been made all but bankrupt overnight.

Our internal auditor, feeling now like a Mountie-getting-his-man-at-last, homed like a guided missile on the factory manager. That worthy looked shocked at the figures displayed. In his N.P.Y. zeal to expand business, he'd been accepting every order regardless; apparently he'd got some half-baked idea about increased production reducing overheads allocation and maximizing unit profits. A little knowledge. . .

With some pride I told the managing director of how the internal auditor and the factory manager were now collaborating to effect a keener and more remunerative production policy, and sat back to receive our meed of praise. But he only smiled slightly and wondered with lifted eyebrows why we hadn't established control points earlier.

So much for our hopes of appreciation in this life. Once more into the bushel, dear friends, once more. . .



[illegible]





## S. GIBSON &amp; SONS, LIMITED

## Notes on the Accounts for the Year ended 31st December, 1962

## 1. Subsidiary Company—not Consolidated

This item, £178,515, represents the amount realised in January, 1963, in respect of the sale of the Subsidiary (Associated Kid Producers Limited) to which the tannery business had been transferred.

## 2. Investments

Investments held at 31st December, 1962, comprise:—

1961 £											Cost Price £
75,001	120,000 Ordinary Shares of 5s. each in Capital and Provincial News Theatres Limited	..	..	..	..	..	..	..	..	..	75,001
150,000	1,000,000 Ordinary Stock Units of 1s. each in The Victory Real Estate Co. Limited	..	..	..	..	..	..	..	..	..	150,000
<u>£225,001</u>											<u>£225,001</u>

The Directors are still not able to express an opinion as to the value of these Investments, which are not now quoted.

## 3. Freehold and Leasehold Properties

The Freehold and Leasehold Properties, which are owned by property dealing subsidiaries and shown in the Consolidated Balance Sheet at £56,967, are in course of realisation. A small loss is expected, but no provision has been made for this. As in previous years proceeds of partial realisations have been credited to the properties concerned.

Between 3rd May, 1958 and 13th February, 1959 the majority of these properties were originally purchased by seven Companies by whom they were immediately re-sold at enhanced prices to your Company's Subsidiaries.

## 4. Suspense Account

The following items are included under this heading:—

£	1961	£		£	£
112,200			66,000 Ordinary Shares of 5s. each in Capital and Provincial News Theatres Limited reported as sold for £115,500 in 1959, but no proceeds of sale have been received— At cost to the Company .. .. .		112,200
	18,000		Harewood & Co.: Amount paid by cheque on 2nd September, 1959 .. .. .	18,000	
	3,000		Amount paid by cheque on 9th September, 1959 .. .. .	3,000	
	4,125		Indebtedness at 31st December, 1959 in respect of Property transactions .. .. .	4,125	
25,125					25,125
			Amounts allocated by The State Building Society to mortgage liabilities of possible Subsidiaries—See Note 9 .. .. .		4,810
4,810			Indebtedness at 31st December, 1959 on Share Transactions account .. .. .		115
115			Purchase of Investments in 1959 in cases where evidence of ownership is not available: 4,435 Ordinary Shares of 5s. each in Reliable Properties Limited .. .. .	3,164	
		3,164	3,500 Ordinary Shares of 2s. each in Temperance Billiard Halls Limited .. .. .	1,993	
	5,157		Professional Charges paid on behalf of possible Subsidiaries (Note 9) .. .. .		5,157
	162		F. Grunwald (claim in respect of Income Tax paid) .. .. .		162
	1,899				1,899
<u>£149,468</u>					<u>£149,468</u>

The Directors are not able to express an opinion as to the value of this account and all these transactions are still under enquiry (see Directors' Report paragraph 3).

## 5. Collateral Deposits

Collateral Deposits of £13,983 have been made against contingent liabilities under guarantees for this amount in respect of certain properties sold.

## 6. Taxation

The taxation position of the Group has been agreed with the Inland Revenue up to and including the fiscal year 1961/62.

## 7. Preference Dividend

The Dividend on the 20,000 7% First Cumulative Preference Shares of £1 each is in arrear since 1st January, 1961 and amounts to £2,800 (gross).

## 8. Mortgages on Properties, and Unsecured Loans

The Parent Company has guaranteed borrowings by Subsidiaries to the extent of £29,480.

## 9. Possible Subsidiaries

Prior to 1960 there were formed a number of companies which may prove to be subsidiaries of this Company. In the absence of confirmation of the position, the Directors consider that the possible ownership of these companies should be disregarded for the purpose of these Accounts.

## 10. Contingent Liabilities

In addition to the Contingent Liabilities shown in Notes 5 and 3 there was a contingent liability amounting to £141,897 (1961—£129,796).

## CITY NOTES

THE stock-markets have begun the New Year with determined confidence and with the equity markets standing at a two and a half year 'high'. Only another 6 per cent rise in prices is needed to establish an all-time record peak.

The question is whether the market can gain that much ground before General Election doubts get too strong a hold. Given an autumn rather than a spring election there seems every prospect that the new peak will be reached.

There should be a good flow of helpful company profit and dividend statements early in the New Year and, provided the winter keeps up its present weather form, there are sound prospects of steadily rising industrial output.

The Budget is still far enough off for investment considerations to be undisturbed by the assumption that Government spending programmes leave little room for further tax cuts, even though this is election year. But the Budget could well run against the 'no cuts' belief because the 1963-64 deficit may prove considerably less than the Chancellor anticipated it would be last spring.

THE movement by the merchant banks to open branches in the provinces continues. Rothschilds will be opening a branch in Manchester soon - the firm's first branch outside London, although it was

in Manchester that the original Rothschild set up business. Samuel Montagu, through its British Bank of Commerce subsidiary, is also likely to open branches in Manchester and other provincial centres this year.

MARTINS Bank has conformed with the bank's tradition in appointing a new chairman who has close associations with the Lancashire Cotton industry. Sir Cuthbert Clegg, succeeding Sir John Nicholson who is giving up the chairmanship because of the pressure of other commitments, has been a 'cotton man' all his business life.

Sir John's decision to step down gave rise to unwarranted suggestions that there had been a split on the Martins board on merger policy. Ever since the District Bank merged with National Provincial, the possibility of Martins merging with one of the 'Big Five' has been entertained.

THE United Drapery Stores group is considered in the City to be the likeliest group to follow Montague Burton's lead in direct multiple tailoring operations on the Continent. United Drapery owns the John Collier (formerly the Fifty Shilling Tailors) group, and it is known that plans for European development were afoot a year ago when the Common Market negotiations were abruptly halted by the French veto.

## RATES AND PRICES

Closing and quarter-end prices Tuesday, December 31st, 1963  
(The Stock Exchange was closed on New Year's Day)

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Money Rates			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%	Day to day	2½-3½%	Bank Bills	
July 26, 1961	7%	Mar. 22, 1962	5%	7 days	2½-3½%	2 months	3½-3½%
Oct. 5, 1961	6½%	April 26, 1962	4½%	Fine Trade Bills		3 months	3½-3½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%	3 months	5-5½%	4 months	3½-3½%
				4 months	5-5½%	6 months	3½-4%
				6 months	5½-6%		
Treasury Bills				Foreign Exchanges			
Oct. 25	£3 14s 10.70d%	Nov. 29	£3 14s 9.42d%	New York	2.79 1/16	Frankfurt	11.11 1/2
Nov. 1	£3 15s 5.03d%	Dec. 6	£3 15s 4.58d%	Montreal	3.02 1/2	Milan	1740 3/4
Nov. 8	£3 15s 0.62d%	Dec. 13	£3 14s 8.89d%	Amsterdam	10.06 1/2	Oslo	20.01 1/2
Nov. 15	£3 15s 0.63d%	Dec. 20	£3 14s 4.45d%	Brussels	139.35	Paris	13.70 3/4
Nov. 22	£3 15s 0.11d%	Dec. 27	£3 14s 5.08d%	Copenhagen	19.30 1/2	Zürich	22.06 3/4
Gilt-edged							
Consols 4%	..	..	66 1/2d	Funding 3% 59-69	..	..	92
Consols 2½%	..	..	43 1/2	Savings 3% 60-70	..	..	89 1/2
Conversion 6% 1972	..	..	107 1/2	Savings 3% 65-75	..	..	81 1/2
Conversion 5½% 1974	..	..	100 1/2	Savings 2½% 64-67	..	..	93 1/2
Conversion 5% 1971	..	..	99 1/2	Treasury 5½% 2008-12	..	..	95
Conversion 3½% 1969	..	..	94 1/2	Treasury 5% 86-89	..	..	91
Conversion 3½%	..	..	59 1/2	Treasury 3½% 77-80	..	..	79 1/2
Funding 5½% 82-84	..	..	98 1/2	Treasury 3½% 79-81	..	..	79 1/2
Funding 4% 60-90	..	..	94 1/2	Treasury 2½% ..	..	..	43 1/2
Funding 3½% 99-04	..	..	66 1/2	Victory 4% ..	..	..	97 1/2
Funding 3% 66-68	..	..	92 1/2d	War Loan 3½% ..	..	..	59

## Current Law

### Future Specific Devise: Intermediate Income Accumulated

**M**BY his will made in 1960 devised agricultural land subject to a lease to his daughter H. and bequeathed a pecuniary legacy equal in value to the land to his son T. He declared that the devise and bequest should not 'take effect' until after the death of his wife R. should she survive him, and that if H. should die in the lifetime of himself and R. leaving issue, then the issue on attaining the age of 21 should take by substitution the devise in favour of H. M. gave his residuary estate to R. for life and then to H. and T. equally. He was survived by R., H. and T. and three infant children of H. In *Re McGeorge, Ratcliff v. McGeorge* ([1963] 1 All E.R. 519) Cross, J., held that the devise to H. and the bequest to T., which on the face of them were absolute gifts in possession, were vested gifts, in that they were vested in interest, but that the declaration that they should not 'take effect' until R.'s death deferred vesting in possession till that date. So far as T.'s legacy was concerned, there was no doubt that it did not carry interest before payment, but in view of the provision in section 175 (1) of the Law of Property Act, 1925, that a future specific devise shall, subject to the statutory provisions relating to accumulations, carry intermediate income from the death of the testator, except so far as such income, or any part of it, may be otherwise disposed of, the destination of the intermediate income of the land devised to H. was less certain. Rejecting an argument that the residuary gift constituted an express disposition of the income which prevented section 175 (1) from applying, Cross, J., held that, as the devise was not indefeasibly vested in H., the income ought *prima facie* to be accumulated to see who eventually became entitled to it. H. was not entitled to receive the income by virtue of section 31 (1) of the Trustee Act, 1925, because her interest in the income was a vested one and because the will showed a contrary intention within section 69 (2) of that Act. Accordingly the income must be accumulated for twenty-one years or R.'s lifetime, whichever was the shorter period.

### Gift to Institution which no Longer Exists

**T**HE testatrix in *Re Roberts, Stenton and Another v. Hardy and Others* ([1963] 1 All E.R. 674) by her will made in 1930 gave one-sixth of her residuary estate to the Sheffield Boys' Working Home. The Home was closed in 1945, but the testatrix did not die till 1961. The Home had been established in

1881. New premises, comprised in a conveyance and trust deed dated October 19th, 1889, were acquired in the latter year. Clause 19 of this deed provided that the governors of the Home, if they considered that it ought to be discontinued, might authorize the trustees to dispose of the premises and pay the proceeds for the benefit of charitable institutions or poor inhabitants in Sheffield, and in 1945, when the Home had become empty, it was sold and the proceeds of sale were disposed of on the authority of clause 19. Wilberforce, J., considered whether the testatrix' gift was a gift to a particular institution at a particular place, or a gift for charitable purposes, namely, the purposes for which the Home was originally established, and in this connection it was material that subsequent to the execution of the 1889 deed the charity acquired funds. Wilberforce, J., did not feel able to conclude that those funds were acquired on the trusts of the deed, and came to the conclusion that the gift was for the purposes of an institution and not so exclusively tied up with a particular home physically located on the premises used by the Home as to enable him to say that, when the trusts of the physical home ceased to exist, the charity ended. His lordship held that clause 19 of the 1889 deed did not give power to decide whether the charitable trusts as a whole failed, but only gave power to decide that the particular machinery of the Home could not be carried on on particular premises which no longer existed. Accordingly, the testatrix' legacy should be treated as given upon the trusts of the institution as a whole and, as there was now no machinery by which they could be administered, there must be a scheme for the administration of the charity.

### Family Provision: Proceedings a Nullity

**R**E *Pritchard* ([1963] 1 All E.R. 873) revealed a trap for the unwary of a most unfortunate kind and one which will be removed for the future when the revised Rules of the Supreme Court come into operation on January 1st, 1964. The applicant applied by originating summons under the Inheritance (Family Provision) Act, 1938, for an order for provision out of the estate of her deceased husband, who had made no provision for her by his will. The summons was sealed in and issued out of the Pontypridd District Registry instead of the Central Office of the High Court in London, as required by Order 54, rule 4B, of the Rules of the Supreme Court. The error thus made by the applicant's solicitors was noticed neither by the defendants' solicitors nor, at the time, by anyone at the registry. Later, however, the District Registrar discovered what had happened and doubted his jurisdiction to deal with the matter. He refused an application for the cause to be removed to the Central Office, holding that the proceedings were not merely irregular but a nullity. His decision was reviewed by Wilberforce, J. ([1962] 2 All E.R. 846), who dismissed the summons. In the proceedings in

the Court of Appeal now referred to, the Court (Upjohn and Danckwerts, L.JJ., Lord Denning, M.R., dissenting) affirmed Wilberforce, J.'s, decision. Upjohn, L.J., pointed out that Order 54, rule 4B, was the only relevant rule. It is mandatory in effect, and, as there had been a fundamental failure to comply with the requirements of section 225 of the Supreme Court of Judicature (Consolidation) Act, 1925, as to

the issue of the proceedings, what had been done did not amount merely to an irregularity: it was a nullity. The most unfortunate feature of the case was that, by the time the mistake was noticed, it was already too late for the applicant to procure the issue of her summons in the Central Office as more than six months had elapsed since the deceased's will was proved.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Depreciation in Accounts

SIR, — I am grateful to your correspondent, Mr W. D. Ashcroft, for his reply (December 28th issue) to my previous letter on the method of valuing fixed assets in a capital employed computation, and I share his view that this would make an ideal subject for an accounting research project.

I also agree with him that depreciation provisions are part of a conversion cycle from fixed to current assets, but at this point I fear we must go our separate ways. The concept I was trying to explain is a difficult one to formulate in a few paragraphs and I therefore introduced the rather theoretical accounting model into my letter. As Mr Ashcroft seems to have misunderstood at least one part of my argument I would like to restate the salient points.

In the fourth paragraph of his letter he appears to attribute to me the statement that depreciation retentions should not form part of the capital employed. But this was not a part of my argument. Reverting to my example, if a company commences a business activity for which the *quantum* of capital to be employed is £5,000 in fixed assets and £5,000 in net current assets, then (ignoring inflation — if we can) even though the fixed assets have an accounting life of ten years, at the end of that time the required *quantum* of capital will remain the same if the business has continued at a constant level of activity — the fixed and net current assets are still the same as those which required the original investment of £10,000. The cash flow produced by the depreciation retentions (£5,000 over ten years) represents additional funds that, in the circumstances assumed, are not required in the business. Certainly the directors may decide to use them as additional working capital, or they may decide to invest them outside the main business — but either way the funds

should produce a return additional to that derived from the original investment of £10,000.

As accountants, we like to see a neat and tidy balance sheet that will provide the shareholders with their original monetary capital intact at the end of the business venture. But what I am immediately concerned with are the most suitable statistical techniques that we should employ for assessing the profitability of trading operations. Mr Ashcroft acknowledges that return on capital employed figures are invariably produced for comparison purposes — but the series of figures to be compared must be prepared on a common basis if they are to have any validity. He has not denied that by using net book values in the example I have used, the apparent rate of return on capital employed in trading activities (i.e. excluding the £5,000 assumed to be invested in a sinking fund) would rise from 15 per cent in Year 1 to 30 per cent in Year 11. Would he be prepared to say that this is a satisfactory measure of the success of this particular company's trading activities? I would suggest that the constant 15 per cent produced by using gross book values is a more valuable and significant index.

I freely admit that the accountant's notion of capital tends to be ridiculed by the impact of inflation — for example, the *quantum* of net current assets in my example would undoubtedly require an investment of considerably more than the original £5,000 by the end of the ten-year period. Admittedly the depreciation retentions would help to provide the additional monetary capital required — but the point must be made that it is additional monetary capital from the accountant's viewpoint. When it comes to reconciling accounting principles with inflation I prefer to side with the economists — but that is another argument for another day. I remain firmly in favour of clear thinking about basic principles.

Yours faithfully,

DESMOND F. GOCH, A.A.C.C.A.

Stevenage, Herts.

### Training of Articled Clerks

SIR, — All progressive members of the Institute will welcome the recent proposals made in order to raise the standard of training of articled clerks and consequently the status of the profession as a whole.

A certain amount of misunderstanding may arise, however, due to the recent official pronouncements on this subject. Members have recently been exhorted to undertake the necessary training in order to equip themselves to teach articled clerks under the new schemes, but in the latest letter published by the Chairman of the Joint Committee of the London Chartered Accountants' District Society and Students' Society, it is stated that:

'Projects such as this are obviously of major importance to the profession in securing that theoretical training of its future members does not fall into the hands of those who have no current experience of the practice of the profession.'

Does this signify that those members who are qualified full-time lecturers are considered to have no 'current experience of the practice of the profession?' If this is the case, it would reveal a complete lack of understanding of the duties involved in full-time lecturing and of the continued connection of such lecturers with professional practice. It would also imply that to qualify as a full-time teacher would automatically exclude the possibility of being allowed to train articled clerks.

For those members engaged in the same profession as the writer, an official clarification of these conflicting statements would be appreciated.

Yours faithfully,

LESLIE R. HOWARD, F.C.A.

London SW16.

### Investing with Life Assurance

SIR, - There is something to be said for Mr Wraight's point of view (December 14th issue), but nevertheless a with-profits endowment policy can represent a first-class investment.

Care in selecting an office with which to effect a policy is, however, of paramount importance and I have found the recently published folio of actual results of past policies, reviewed under Weekly Notes in your issue of October 5th, of great help in reaching this decision myself.

Yours faithfully,

A. B. DUFFY.

Ilford, Essex.

SIR, - The letter from Mr J. A. Wraight, in effect, raises the old question as to whether saving by an individual is worth while during a period of inflation. In the first place, of course, we need to remember that personal saving is one of the means of combating inflation and, therefore, to refrain from saving only adds strength to the inflationary forces at work.

Mr Wraight, however, applies the query specifically to saving by means of life assurance. There are, therefore, other important factors which must not be overlooked. Whilst it is right to regard life assurance as a means of saving, the 'life cover' given is of primary benefit. Mr Wraight should bear in mind that, had he died at any time subsequent to

the issue of his endowment policies, the whole of the sums assured would have been payable to his executors. Such benefits would have greatly exceeded his 'savings' (premiums). Furthermore, if the endowment assurances were of the 'with profit' class then the reversionary bonuses accrued would also have been payable on death.

This brings us to the further point that 'with profit' policies are themselves a protection against inflation. The premiums paid by policyholders are invested to advantage by the life offices concerned and the increasing income and capital values resulting therefrom exercise a favourable influence on the rate of bonus payable on the policies.

Yours faithfully,

D. F. HEWITT, F.C.A., Secretary,  
WESLEYAN AND GENERAL  
ASSURANCE SOCIETY.

Birmingham 4.

### Cash Sale Receipts

SIR, - I refer to A. F. Lees's letter in *The Accountant* of November 30th, 1963.

A year or two ago I had correspondence with the Inland Revenue concerning the stamping of dockets in connection with a cash sale and the following extracts from the Comptroller's letter seem to set out quite clearly the position from the Revenue point of view:

'... section 101 of the Stamp Act, 1891, and I have to say that, having regard to the wide definition of receipt contained in subsection (1), instruments employed in commercial transactions to evidence the receipt of money or the discharge of a debt are liable to receipt stamp duty, and such liability as a rule extends to the instruments given to customers in retail shop trade.

'In the case, however, of retail transactions for cash, the possession of bought goods evidences payment of money. The buyer presumably does not normally require legal evidence of payment when he has the goods, and the seller presumably does not intend to give a receipt. This view is not inconsistent with the giving of a voucher in duplicate, made out by the shop assistant, one copy of which is to be handed to the cashier and is intended to operate as a voucher for book-keeping purposes or as a departmental check, the other copy being given to the purchaser.

'The Board of Inland Revenue are prepared in the case of such cash transactions to acquiesce in this view, and to regard those vouchers as not liable to receipt stamp duty *provided the document is entirely colourless and contains no words stating or implying the acknowledgment, receipt or payment of money.*

'... however, the addition of words such as "cash sale" or "paid" to such a voucher is sufficient to make it a receipt liable to duty and it must then be stamped when the amount concerned is £2 or more.'

This would appear to answer Mr Lees's query.

Yours faithfully,

G. E. WOTHERSPOON,  
Executive Director,  
LAWLEYS LTD.

Stoke-on-Trent.

# Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.

## Doughty's Trustees v. C.I.R.

In the Court of Appeal – November 14th, 1963  
(Before THE MASTER OF THE ROLLS (Lord DENNING),  
Lord Justice RUSSELL and Mr Justice BUCKLEY)

*Estate duty – Settlement – Discretionary trust for grandchildren – Accumulation of unapplied income – Trusts during settlor's lifetime – Trust during father's lifetime – Whether property passed on the death of grandfather – Whether cesser of interest on his death – Whether exemption because deceased held as trustee – Finance Act, 1894, sections 1, 2 (1) (b), (3) – Trustee Act, 1925, section 31.*

The deceased made a settlement in 1949, whereby during his lifetime the trust income was to be held on discretionary trusts for the benefit of his grandchildren, and any unapplied income was to be accumulated as an accretion to capital. After his death, the trust fund was to go (by clause 4) to the grandchildren living at the death of his son, who attained 21 or, if female, married. If the settlor predeceased his son, the income was to be applied (clause 5) during the latter's life for the grandchildren, and for the children of grandchildren who predeceased the son, in such proportions as the trustees should decide; but there was no provision for accumulation. If after the settlor's death there were only the two grandchildren, who were living when the settlement was made, two-thirds of the trust fund was to go to them on attaining the age of 25, in equal shares; and one-third was to be held for any additional grandchildren; and if there were none, the capital and income of the one-third was to go as in clauses 4 and 5, and those clauses were to apply then only to this one-third. If all the other trusts failed, the trust fund was to go to the father absolutely. There were only the two grandchildren at the settlor's death, and both were over 21 but under 25. It was common ground that the income of the one-third and of the two-thirds went to those two grandchildren pursuant to section 31 of the Trustee Act, 1925. The settlor was one of the trustees at the date of his death.

Estate duty was claimed on the death of the grandfather, the settlor, on the footing that the whole trust fund passed under section 1 of the Finance Act, 1894, and alternatively, that at his death there was a cesser of an interest within section 2 (1) (b). It was contended on behalf of the plaintiffs that neither of those provisions applied to the case, and that the trust fund was exempt from estate duty, under

section 2 (3), as it was held by the deceased as trustees for other persons.

*Held* (reversing the judgment of Mr Justice Ungood-Thomas but on different grounds): on the construction of the settlement there was no change in the legal position of the grandchildren, and thus there was no passing of the trust fund on the settlor's death.

## Jarrold v. Boustead

McInnes v. Large

McInnes v. Simms

In the High Court of Justice (Chancery Division) –  
November 28th, 1963

(Before Mr Justice PENNYCUICK)

*Income tax – Schedule E – Football player joining club – Amateur becoming professional – Lump-sum paid – Whether an emolument – Income Tax Act, 1952, section 156 – Finance Act, 1956, section 10, Schedule 2.*

The respondent in the first case was an amateur rugby union football player, and he was invited to join a club, a member of the Rugby Football League, as a professional. On September 22nd, 1958, he entered into a written agreement with the club for that purpose. The agreement bound the respondent to play for the club as directed, and to keep himself fit for that purpose. At the end of the agreement there was this provision:

The club shall pay the player the sum of £3,000 less income tax on signing professional forms for the club.

On the same day the respondent signed a registration form and a consent to be registered as a professional player. He was duly registered, and the club paid him the £3,000. This registration debarred him from ever again playing as an amateur.

The £3,000 was included in the respondent's Schedule E assessment for 1958–59, and he appealed. It was contended on his behalf that the £3,000 did not arise to him from an office or employment, as he had none, when he signed the playing agreement; that the sum was paid to induce him to put himself into the position of being able to render services to the club at full normal rates of pay which he subsequently did; and, alternatively that the sum was a solatium for the loss of his amateur status. The Special Commissioners decided that the £3,000 was a once-for-all payment, separate from the engagement of the respondent's services, and an inducement to relinquish his amateur status and was not a payment of remuneration in advance.

The case of the second respondent was similar, except that the provision for the payment of a signing fee of £1,000 was in a separate document; and that £750 was paid forthwith and the balance of £250 after he had played three matches. In the case of the third respondent the difference was that £200 was expressly payable to him in consideration of his

signing registration forms. The Special Commissioners' decisions in the cases of these respondents were in all relevant respects the same as their decision in the case of the first respondent.

*Held:* the three sums in question were emoluments of the respective employments of the respondents.

### Frere v. C.I.R.

In the Court of Appeal – November 29th, 1963  
(Before the MASTER OF THE ROLLS (Lord DENNING),  
Lord Justice DONOVAN and Lord Justice RUSSELL)

*Surtax – Total income – Loans for less than a year – Whether interest deductible – Customs and Inland Revenue Act, 1888, section 24 (3) – Income Tax Act,*

*1918, sections 36, 164 – Income Tax Act, 1952, sections 2 (2), 122, 123 (Schedule D), 169, 170, 200, 524, Schedule 24.*

In each of a number of years the appellant borrowed sums of money, and borrowed in each case for a period of less than a year. He paid interest on the loans; and he claimed to be entitled to deduct the interest in ascertaining his total income for surtax purposes. For the respondents it was contended that there was no authority for the deduction for short interest in computing total income for surtax. The Special Commissioners decided in favour of the appellant.

*Held* (reversing the judgment of Mr Justice Wilberforce, Lord Justice Russell dissenting): the Special Commissioners' decision was correct.

## Reviews

### Auto-Primer in Computer Programming

By DORIS R. ENTWISTLE. (Blaisdell Publishing Co, 501 Madison Avenue, New York 22, N.Y. \$6.50.)

So rapid has been the expansion in computers and the inevitable variety of models for differing and similar purposes, that persons trained on one type of computer are often unable, initially at least, to understand the language of someone trained on another. Given the current shortage of programmers, it is not surprising that an enterprising publisher has now produced a self-teaching text on the art.

While the author endeavours to meet the problem of diversity of computers by concentrating on first principles, the applications are to the I.B.M. 1620 computer, with appendices providing the modifications needed to comprehend the text if the student is working with any of three other I.B.M. computers – the 7090, 7094 or 1401.

The effectiveness of this exercise in programmed self-teaching was tested on a group of American university undergraduates attending a course in circuit theory. The results were encouraging and the lessons learned from the experiment have been incorporated in amendments to the text.

### Statistical Measurements for Economics and Administration

By Morris Budin. (Asia Publishing House, 447 Strand, London WC2. 55s net.)

This book by an American university don is intended primarily to provide a course in statistics for managers and administrators in India where the author has been

working as a consultant. It covers the topics conventionally regarded as coming within the scope of such readers, the emphasis being on economic and business data and their analysis. It requires no more than elementary algebra for its full understanding. The author's abilities at exposition are high and this is a book which could be recommended to undergraduates taking statistics as an optional or subsidiary subject.

Accountants and others who wish to understand the basic statistical techniques will find it comprehensible. It is therefore all the more to be regretted that the proof reading falls short of what is required in such a book, while the artist's version of the author's sketches for illustrative diagrams is not always credible. While it may not replace the more popular texts in this country, it is a book which those studying statistics may find to be a useful supplement for their studies.

### The History of English Local Government

By SIDNEY and BEATRICE WEBB. Vols I to II. (Frank Cass & Co Ltd, London. £35 complete, or volumes available separately.)

For many years the classic studies of *English Local Government* by the Webbs have been out of print. For this reason alone a reprint in the present handsome format is to be welcomed; the nine main volumes are supplemented in this set by the addition of the Webbs' two works on *The History of Liquor Licensing* and *English Poor Law Policy*.

New introductions to each part of the *History* have been written by Professors W. A. Robson and L. Radzinowicz on poor law and prisons, respectively; while Messrs B. Keith-Lucas and G. J. Ponsonby introduce the history of local government structure and the history of the King's Highway, respectively.

At a time when the whole future of local government is in the air, the appearance of these reminders of our historic legacy is, to say the least, timely.

P14073

**International Trade Theory in a Developing World**

Edited by ROY HARROD and DOUGLAS HAGUE.  
(Macmillan & Co Ltd, London. 70s net.)

The 1961 conference of the International Economic Association devoted itself to the study of world trade at a time when national economies are changing rapidly and industrialization plus diversification are the order of the day for the younger nations. An especially useful feature of this volume of the conference papers is the opportunity it affords of examining the extent to which the theory of international trade has changed since the war.

As with most of these conferences there is a happy blend of applied and theoretical papers. Among the seventeen papers, two by British participants on recent trends in world trade, and trends in the terms of trade with their repercussions on the primary producers, are especially interesting to the reader concerned with the state of the world; just as Professor Kindleberger's study of world liquidity and the future of the international payments system helps to a clearer understanding of this complex problem.

**An Introduction to Positive Economics**

By RICHARD G. LIPSEY. (George Weidenfeld & Nicolson Ltd, London. 45s net.)

This new textbook by one of the professors at the London School of Economics will doubtless prove an important addition to the existing works. It differs from them in several important respects. First, it is essentially a text for the student who is working for honours; it concentrates on economic theory and the language is quite rigorous, moreover the appendices are quite likely to test even the first-rate student's capacities.

Secondly, it contains no descriptive economics which is so characteristic of most of the standard texts. Thirdly, it seeks to explain the economic approach to the current problems of our society in that the reader is equipped with a first-class set of tools of analysis. It is rather a pity that it is only in the last part of the book that the author effectively demonstrates how these tools may be used.

**SHORTER NOTICES**

**THE FASCINATION OF NUMBERS.** By W. J. Reichmann. (University Paperbacks, UP.71. Methuen & Co Ltd, London. 9s 6d net.) The theory of numbers ranges from quite simple propositions into the most complicated branches of logic. This book provides a most readable exposition of elementary number theory of interest to the layman who genuinely enjoys playing with figures, or even those who pride themselves on their capacity for logical thinking. The publishers deserve credit for the excellent layout and typeface.

**THE IMPACT OF LEASES ON FINANCIAL ANALYSIS.** By A. Tom Nelson, Assistant Professor, Department of Accounting, University of Utah. (Bureau of Business and Economic Research, Michigan State University, East Lansing, Michigan. \$1 net.) This timely study

reviews both the problems of accounting for leases and their presentation in financial statements. An historical summary provides valuable background for a careful analysis of the real and fictitious advantages of leasing. Among other things, Professor Nelson demonstrates the dramatic impact which different methods of accounting for leases can have upon conventional financial ratios. The study questions some current accounting practices, and asserts that the users of financial statements would be better served if these practices were modified along certain prescribed lines.

**ACCIDENT CLAIMS**, by Philip Asterley Jones, LL.B.; **FINDING YOUR FACTS**, by Trevor M. Aldridge, M.A. (CANTAB.); **TAXES AND DEATH DUTIES**, by Philip Lawton, B.A., LL.B.(CANTAB.); **TRUSTS AND TRUSTEES**, by L. D. Mackirdy. Nos. 10 to 13 in The Doorstep Series. (Oyez Publications, The Solicitors' Law Stationery Society Ltd, London. 6s each post free.) These booklets continue the series which is designed to provide new staff in solicitors' offices with a broad understanding of the work carried on there. The latest numbers fully maintain the standard set by the earlier booklets and deserve a wider circulation than their publishers suggest.

**EVERYDAY ECONOMICS**, second edition. By Edward Sladen, B.COM., A.C.I.S. (Sir Isaac Pitman & Sons Ltd, London. 12s 6d net.) This little book is intended for the student working for G.C.E. 'O' and 'A' level papers, the R.S.A. and the various regional examining bodies. It would also suit the needs of the student working for his Intermediate accountancy examinations who wants to learn what economics and finance is about. Each chapter is supplemented by a selection of examination questions from past papers.

**RECENT PUBLICATIONS**

**THE STATESMAN'S YEAR-BOOK:** Statistical and historical annual of the States of the world for the year 1963, centenary edition, edited by S. H. Steinberg, PH.D. xxxvi + 1,728 pp. 7½ × 5½. 50s net. Macmillan & Co Ltd, London.

**PERSONAL TAXATION EXPLAINED**, by P. J. Naish. 186 pp. 8½ × 6. 25s net. Evans Brothers Ltd, London.

**THE ELEMENTS OF INCOME TAX AND PROFITS TAX LAW**, sixth edition, by C. N. Beattie, Q.C., LL.B. xxxi + 263 pp. 37s 6d. Stevens & Sons Ltd, London.

**SMITH'S TAXATION**, edited and revised by A. E. Bevan. 388 pp. 8½ × 5½. 21s post free. The Advertiser Press Ltd, Premier Works, Paddock Head, Huddersfield.

**NYLAND ON STAMP DUTIES**, third edition, by R. G. Holbrook, LL.B.(DUNELM). xxiii + 265 pp. 9 × 6. 35s net. Postage 1s 6d extra. Butterworth & Co (Publishers) Ltd, London.

**PROPERTY TAXATION: Tax Planning in Land Transactions with Precedents**, by H. G. S. Plunkett. xxxi + 390 pp. 10 × 6½. £3 3s net (U.K. only). Sweet & Maxwell Ltd, London.

**WHICH UNIVERSITY?** Preface by Sir John Wolfenden, Kt, C.B.E. Background information about life at all British universities and colleges of advanced technology. 202 pp. 9 × 5½. 15s (15s 8d post free). Cornmarket Press Ltd, London. Trade distribution by Bowes & Bowes (Publishers) Ltd, London.

**BANKER AND CUSTOMER RELATIONSHIP AND THE ACCOUNTS OF PERSONAL CUSTOMERS**, second edition revised by L. C. Mather, B.COM.(LONDON), F.C.I.S., F.I.B. 288 pp. 10 × 7. 35s net. Postage 2s extra. Waterlow & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.



**FOR STUDENTS**

# Marginal Costing

**S**TUDENTS frequently misunderstand the purpose and use of marginal costing and these notes attempt to set out the circumstances in which its application is valuable to those in charge of a business.

Firstly, the term 'marginal cost' should be clearly understood. It is defined by The Institute of Cost and Works Accountants as follows:

'Marginal cost is the amount at any given volume of output by which aggregate costs are changed if the volume of output is increased or decreased by one unit.'

The student will be familiar with the fundamental distinction between fixed and variable costs, i.e. between those which tend to remain constant at varying levels of output, and those which tend to vary proportionately to output. This distinction is especially important in marginal costing. It will be apparent from the definition above that marginal costs must include those items regarded as 'variable' and indeed for most practical purposes, marginal cost can be regarded as the total variable cost.

In the special case, however, e.g. when a factory is operating to the limit of its capacity, an increase in output may demand an increase in fixed costs, say, in the provision of additional plant or factory space. In this special case, therefore, the marginal cost of additional output would not be equivalent to total variable cost, as the former would include the whole of the additional fixed cost necessary to secure the increase in output.

## Marginal Profit

The term 'marginal profit' describes the profit which is arrived at by deducting from sales the marginal cost thereof, that is (subject to the proviso above) total variable cost. Marginal profit, sometimes termed the 'contribution', thus fluctuates directly in proportion to sales and the contribution provided by all departments or products provides a total fund from which total fixed costs must be deducted to yield the net profit of the undertaking as a whole. Marginal costing thus emphasizes that more than proportionate increases in profit are normally obtained by increases in the volume of output, a fact referred to by economists as one of the 'economies of scale'.

## Purposes of Marginal Costing

Although marginal costing methods call for a clear distinction between the treatment of fixed and variable cost and, in fact, avoid the problems associated with the allocation of the former to departments or products, this is not its main purpose. Marginal costing does not purport to disclose total departmental or product costs and is not therefore a system of cost ascertainment. Its value lies in assisting management to choose between alternative courses of action and thus to assist them in making decisions. Its use would be valuable in the following circumstances:

- (i) In the selection of the most profitable combination of sales prices and volumes. If a company can sell a particular volume of output at a

certain price, or by reducing the price, increase this volume, a comparison of the respective total contributions (and not the contribution per unit of output) will disclose the more profitable course.

- (ii) In considering an advertising campaign, the benefits to be reaped from the contribution which can be anticipated from additional sales can be compared with the projected advertising cost.
- (iii) Where spare productive capacity is available, the effect of accepting special orders at prices below normal prices may be determined, provided that fixed costs are fixed and existing production and sales are not interfered with. It would not be interfered with if the price is advantageous to accept a price in excess of marginal cost, as such a course will increase the amount of the 'contribution'.
- (iv) In deciding whether to manufacture a product outside - a comparison of the contribution with the marginal cost of other things being equal, will show the more profitable course of action.
- (v) A business owning several factories will select the orders to that factory with the lowest marginal cost.
- (vi) If a factor of production is scarce, the product which will be most profitable is that line or product with the highest 'contribution' per unit.

## Examination

Marginal costing methods should be used when attempting examination questions. A comparison of the results of different circumstances. Budgets may be assumed, price assumptions assist in advertising or sales representation.

The variable cost per unit is ascertained, for this is used to find the cost of output, unless economies arise in the higher levels.

It is thus possible to calculate the contribution at each alternative level of output. The sales values, to arrive at the total contribution. The total fixed costs are then deducted from the expenditure deemed to be necessary to give the net profit.

In tabulating the results, the contribution should be clearly indicated and the distinction between the contribution and the total profit made clear. The 'contribution' should be plainly shown.

It is not usually possible to compare such figures as gross profit with these add nothing to the total profit which is to compare assumed sets of circumstances.

**For Data Recording**

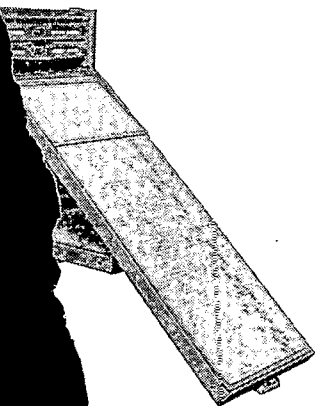
THE latest addition to the range of *Agdon* steel equipment is a number of visible record cabinets made in the sizes most commonly used.

For instance, there is a range of cabinets fitted with eight, ten, twelve, fifteen or sixteen trays of a standard 11 in. depth; these are suitable for 6 in. by 4 in., 8 in. by 5 in. and 8 in. by 6 in. cards. Other cabinets are fitted with nine, ten, or fourteen trays of 1½ in. depth for 8 in. by 5 in., 8 in. by 6 in. and 10 in. by 6 in.

Each tray has the usual pocketed card-holders of 11 in. depth. This is slotted and perforated and covered with clear plastic to give a ¼ in. visible space for writing and titling.

£80.

Norwood Steel Equipment Ltd, 329 Gray's Inn Road,

**Push-button**

The paper dispenser is the *Exxon* (TD) Ltd. Negative transfer-diffusion process compartments and a sheet of paper is dispensed by the press of a button. The gauge steel and finished

up to 9 in. by 14 in.) and 17 in.).

House, Stephen Street,

**Marking**

The marker carries its own ink and prints thousands of clear markings. The ink cartridge needs

The plastic cartridge in the marker. When the pad needs to be changed, the twin push buttons on the side of the pad. It is a simple operation involved with the marker. Time - one of the advantages - has been reduced by the use of the marker. The marker is replaced by unscrewing

# New Office

the top of the handle, dropping out the spent cartridge, and inserting a new ink cartridge in the handle - all within a few seconds.

Price: £6 per set, refill cartridges 4s each.

A. Kimball Co Ltd, 279 Northfield Avenue, Ealing, London W5.

**Space-saving Filing**

THE high cost of office space has tended to make firms use more of the shelf, or lateral, filing equipment rather than the old-style filing cabinet. In the early days of shelf filing, simple structures were produced; today, however, the units available offer space for filing a variety of material from octavo letters to ledgers, cards or even litho plates.

Norwood Steel have now extended their *Consecutive* range of steel furniture by the introduction of wall units. The basic unit consists of two sides, a top, a base and a back panel; standard heights (72, 84 or 96 in.), standard widths (17, 23, 29 or 35 in.) and standard depths (12 or 18 in.) are available. To one standard unit another can be added merely by fixing one more side, a top, a base and rear panel.

Within these units can be fitted shelves, drawers, lateral filing pockets and even hooks for coat hangers. Hinged doors are available if desired or the units can be left with open fronts. The company claims that the units are rigid enough to serve as dividers in open-plan offices.

Prices according to measurements.

Norwood Steel Equipment, Howard Way, Harlow, Essex.

**Nylon-based Ribbons**

DELTRON is the name given to a new range of typewriter ribbons (in black or black and red) made of nylon-based fibre. Because of the fineness of this fabric, some twenty-four yards can be wound on a standard spool.

Generally speaking, accountants require to take a number of copies at one typing and for this purpose the *Deltron* ribbon is invaluable as it gives superfine typewriting impressions.

Delta Carbon & Ribbon Mfg Co Ltd, Chamberlain Road, Aylesbury, Bucks.

**For Tidy Edges**

THE range of *Syntron* paper joggers is now available in Britain. The joggers can be used to align paper stock prior to printing, cutting, padding, binding, folding, punching or trimming. Automatic single- and double-action units align from heavy board to thin paper quickly and accurately, thereby eliminating slow, laborious hand pounding. The tilting rack units make jogging a simple operation; it is necessary only to place the stock in the rack for automatic alignment.

Two-, three- and four-bin joggers from the range are designed for the continuous handling of business

# Equipment

forms. The smooth, even flow of material produced increases the efficiency of form-processing equipment. Correctly aligned bank cheques from these units are sorted in one-third of the time taken to sort cheques that have not been aligned. Similarly, correctly aligned papers are microfilmed faster than if roughly aligned.

Price: Cheque jogger £75.

Riley (IC) Products Ltd, 19 Woburn Place, London WC1.

## Simple Intercom

**T**O complete their range of inexpensive intercom units D.J.P. Telephones have introduced a re-styled two-station system. For £9 9s the company offers a complete system comprising two single-button telephones, 100 ft of cable and a battery which powers the system for about three years.

Fitted with lightweight handsets, the telephones include a buzzer as the normal calling signal, but in noisy locations bells can be fitted as required.

The manufacturers state that the system will operate for two points up to 1,000 yds apart and extra cable is available. Installation is simply a matter of connecting different coloured wires to numbered terminals.

D.J.P. Telephones Ltd, 156 Camden High Street, London NW1.

## Executive Office Furniture - £1 a Week

**L**ONDON had a preview recently of the variety of office furniture and equipment which can be leased on a nation-wide basis from Black Arrow Leasing Ltd, a new subsidiary of the Granada Group. Under the Black Arrow leasing plan, the entire contents of a modern executive office could cost as little as £1 a week after tax.

Mr Brian G. Wolfson, managing director of the company, said that leasing was expected to largely supersede cash purchase and hire-purchase when its advantages became more widely known. Allowing for the return on capital not tied up in fixed assets he maintained that leasing in a profitable business would be considerably cheaper. Mr Wolfson said that the leasing of office furniture and equipment was a standard practice in the United States.

Black Arrow Leasing Ltd has contracted with a large number of well-known suppliers of office furniture and equipment in order to ensure that all requirements will be met. The minimum gross lease value is £1 a week over a period of six years with the option of continuing the lease at nominal rates thereafter.

Mr Wolfson commented that the low weekly payments would enable companies to have essential furniture and equipment without any drain on cash resources. Many companies would be aided in expansion in the face of stiffer competition on the home market.

Black Arrow Leasing Ltd, Axtell House, Warwick Street, London W11.

## Form-set Numbering

**E**VEN in these days of modern accounting machinery, a lot of business form numbering is done by hand, if a form set is not numbered when it is printed. The new ENM electric numbering machine is designed for manual feeding of sets.

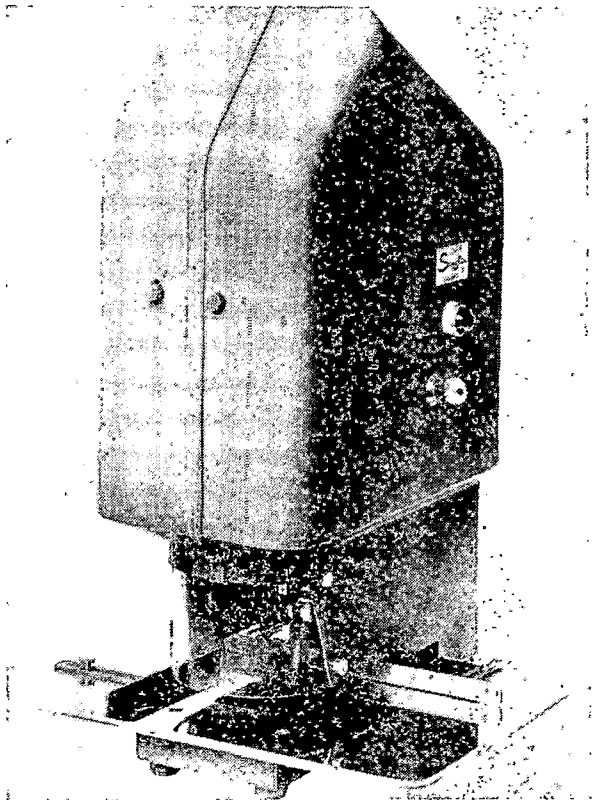
The printing surfaces are inked by a felt roller which contains an ink reservoir. This and the ram action provide an excellent top copy and clear impressions on as many as ten carbon copies. The adjustments on the location guides ensure precise positioning of printing on existing forms and it is not necessary to redesign existing stationery.

A wide range of interchangeable numbering heads can be supplied with as many as thirty wheels containing figures, letters, signs, symbols or a combination of these. A variety of actions, i.e. repeat, consecutive, duplicate, triplicate, quadruplicate and sextuplicate can be specified. Automatic numbering actions can be arranged for either forward or backward numbering and static information can be provided by means of interchangeable die plates. Word rolls may also be incorporated.

Special location platforms and guides for positive positioning to suit form layouts and machine mounting requirements can be supplied. A transparent plastic shield safeguards the operator and additional safeguards include a key switch, pilot light and a lock which prevents unauthorized interference with the machine or its setting.

Price £210.

English Numbering Machines Ltd, 25 Queensway, Enfield, Middlesex.



ENM Electric Numbering Machine.

# Notes and Notices

## THE ACCOUNTANT

### Index to Vol. CXLIX: July-December 1963

The general index to Vol. CXLIX - July to December 1963 - is published with the present issue. The parts of this volume, with the index, can now be sent for binding.

## PROFESSIONAL NOTICES

MESSRS ANNAN, IMPEY, MORRISH & Co announce that as from January 1st, 1964, they have been joined in partnership by Mr G. F. K. MORGAN, M.C., T.D., D.L., F.C.A., and Mr A. H. HART, F.C.A., who are partners in R. H. MARCH SON & Co, of Cardiff and London. They also announce the formation of a firm by the name of ANNAN, IMPEY, MORRISH & ASSOCIATES, of Oldbourne Hall, 43 Shoe Lane, London EC4. The partners in the firm are Mr A. J. SMEE, A.C.A., of BAKER, TODMAN & Co, Mr E. H. HEAD, F.C.A., of FUTCHER, HEAD, SMITH & Co, Mr H. W. C. AIREY, F.C.A., of LORD FOSTER & Co, Mr L. F. DURMAN, F.C.A., of VINEY, PRICE & GOODYEAR, and Messrs C. I. BOSTOCK, M.A., F.C.A., J. W. HILLS, M.A., A.C.A., and C. H. BROWN, B.A., A.C.A., of ANNAN, IMPEY, MORRISH & Co.

MESSRS ASHWORTH, ROWAN & Co, Chartered Accountants, of Fountain House, 19 Donegall Place, Belfast 1, announce that they have admitted Mr W. C. BALMER, A.C.A., as a partner in the firm as from January 1st, 1964.

MESSRS BASKETT & BRYANT, Chartered Accountants, of St Stephen's House, Victoria Embankment, London SW1, announce that as from January 1st, 1964, the practice is being carried on under the name of BASKETT, BRYANT & WALLIS. There is no change in the constitution of the firm.

MESSRS BINDER, HAMLYN & Co, Chartered Accountants, of 121 Queen Victoria Street, London EC4, announce that Mr A. F. M. BEELEY, A.C.A., who served his articles with the firm has recently rejoined the firm and was admitted into partnership on January 1st, 1964. They also announce that Mr J. S. COPELAND, A.C.A., has retired from the partnership as from December 31st, 1963, in order to set up in practice on his own account.

MR ROBERT L. BONNET, jun., C.P.A., and Mr L. C. JOHN BROWN, F.C.A., C.P.A., of 10850 Riverside Drive, North Hollywood, California, U.S.A., announce the merger of their respective practices with effect from December 1st, 1963. The practice will be continued as BONNET & BROWN, Certified Public Accountants, at the same address.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, announce with regret the death, on December 19th, 1963, of Mr A. H. BECKETT who had been a partner in their associated firm in Argentina since 1935.

MESSRS FUTCHER, HEAD, SMITH & Co, Chartered Accountants, of Broad Street House, 54 Old Broad Street, London EC2, announce that consequent on the death of Mr S. G. BILLING on November 11th,

1963, they have as from January 1st, 1964, acquired the practice carried on by him under the style of S. G. BILLING & Co, at 26-28 Billiter Street, London EC3.

MESSRS FLETCHER HIBBERT, F.C.A., and WM GEOFFREY DICKINSON, F.C.A., J.P., practising under the style of FLETCHER HIBBERT & Co, Chartered Accountants, at 27 Hall Gate, Doncaster, announce that, on account of ill health and advancing years, they have retired from practice as from December 31st, 1963. Their practice has been acquired by Mr DONALD ARMITAGE, F.C.A., who for many years has been practising under the style of ARMITAGE & Co, at Leeds and Pontefract.

MESSRS KNOWLES & BARRON, Chartered Accountants, of 51 Southgate Street, Winchester, announce that as from January 1st, 1964, Mr R. G. NORRIS, A.C.A., has been admitted as a partner.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 18 Eldon Square, Newcastle upon Tyne 1, announce that as from January 6th, 1964, their address will be 12 New Bridge Street, Newcastle upon Tyne 1. The telephone number (Newcastle 29288) is unchanged.

MESSRS MILLS & BLACK, Chartered Accountants, of Derwent House, Matlock, announce that Mr GRAHAM ROBINSON, A.C.A., has been admitted as a partner in the firm as from July 1st, 1963.

MESSRS SISSONS PLATT & Co, Chartered Accountants, of 'Broom Cliffe', 9 Broomhall Road, Sheffield 10, announce that Mr NORMAN T. KELK, F.C.A., who joined the firm in 1922, has retired as a partner as from December 31st, 1963. He will, however, be available as a consultant to clients by appointment. As from January 1st, 1964, the remaining partners, MR REGINALD COWARD, F.C.A., and MR JAMES D. SMITH, F.C.A., are taking into partnership MR IAN R. COLLINS, A.C.A., who has been with the firm since 1952, having served his articles with them. The name of the partnership will remain unchanged, as will the firm's address.

MESSRS PRIDEAUX, FRERE, BROWN & Co, Chartered Accountants, of Lincoln's Inn, London WC2, announce that Mr J. A. SMITH, A.C.A., having been appointed managing director of a public company, is withdrawing from the firm, but continues in a consultative capacity. Mr D. G. ARMSTRONG, A.C.A., a member of the staff, has been admitted to partnership.

MESSRS RAWLINSON & HUNTER, Chartered Accountants, of 51 Green Street, London W1, announce with great regret the death on December 18th, 1963, of Mr A. W. RAWLINSON, F.C.A., their senior partner and a founder of the firm. The remaining partners will continue the practice under the same name.

MESSRS SLIPPER & Co, Chartered Accountants, of 77-79 King Street, Hammersmith, London W6, and 31a Chapel Road, Worthing, announce that Mr J. H. ANNISON, F.C.A., the resident partner at their Worthing office, has by mutual consent taken over the Worthing practice in his own right as from January 1st, 1964. He will thereafter practise at that address under the style of ANNISON & Co. The remaining partners will continue to practise as hitherto under the title of SLIPPER & Co, at 77-79 King Street, Hammersmith.

MESSRS SOMERSET COWPER & Co, Chartered Accountants, of 199 Piccadilly, London W1, and Mr R. B. BARKER, M.A., F.C.A., announce that as from January 1st, 1964, their respective practices have been amalgamated and will be carried on under the name of SOMERSET COWPER & Co at the same address.

MESSRS SPICER & PEGLER, Chartered Accountants, announce the formation of an international firm in conjunction with Messrs HANCOCK & WOODWARD of Australia. The name of the firm is SPICER & PEGLER and HANCOCK & WOODWARD, with offices at St Mary Axe House, 56/60 St Mary Axe, London EC3, 143 Queen Street, Melbourne C1, and at Sydney, Brisbane, Canberra, Adelaide, Perth and Mildura.

MESSRS STURGES, FRASER, CAVE & Co, Chartered Accountants, of 2 Copthall Buildings, Copthall Avenue, London EC2, announce that they have admitted to partnership Mr CHRISTOPHER GUY BICKNELL, A.C.A., who has been a member of the firm for some years.

MESSRS WEBB, KRINKS & THOMAS, of 1-2 Sandringham Mansions, Exeter Road, Bournemouth, and Messrs JAMES S. TEMS & Co, of 1-2 Sandringham Mansions, Exeter Road, Bournemouth, and at 7 St John's Street, Salisbury, announce that as from December 1st, 1963, their practices have been amalgamated with the practice of Messrs H. J. SMITH & Co, of 101 Bloxworth Road, Parkstone, under the new firm name of TEMS & Co. On the same date, Mr HAROLD JOHN SMITH, A.C.A., was admitted to the general practice and Mr BRIAN PETER UPSHALL, A.C.A., was admitted to the Salisbury practice. As from January 1st, 1964, the head office of the firm has been moved from 1-2 Sandringham Mansions, Exeter Road, to 31 Richmond Hill, Bournemouth.

MESSRS WENN, TOWNSEND & Co, Chartered Accountants, of 30 St Giles', Oxford, announce that as from January 1st, 1964, they have taken into partnership Mr G. A. PAINE, A.C.A.

MESSRS WILSON, STIRLING & Co, Chartered Accountants, of 8 Gordon Street, Glasgow C1, and 56 Kingsway, London WC2, announce with regret that Mr DAVID REID, C.A., has found it necessary for personal reasons to retire from the firm as from December 14th, 1963.

#### Appointments

Miss A. C. Norton, F.C.A., secretary of J. Hepworth & Son Ltd, has been appointed a director of the company.

Mr G. D. Wild, A.A.C.C.A., has been appointed financial accountant to the Western Region of British Railways.

Mr P. A. Land, F.C.A., has been appointed internal auditor of Western Region, British Railways.

Mr George Herbert Cann, M.B.E., F.C.A., has been elected vice-chairman of Allen West & Co Ltd.

#### OBITUARY

##### Mr H. A. Jenkins, F.C.A.

It is with regret that we record the sudden death on December 16th, in his Cardiff office, of Mr H. A. Jenkins, F.C.A., chief finance officer of the South Western Division of the National Coal Board.

Mr Jenkins, who was aged 61, was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1925. Prior to his appointment in January 1947 as divisional chief finance officer, Mr Jenkins held an appointment with the Ocean Coal Company in Cardiff. During his sixteen years as an officer of the National Coal Board he served with great distinction and ability and with a zeal far beyond the bounds of duty.

A keen golfer, Mr Jenkins was a former captain of the Radyr Golf Club. He leaves a widow and a daughter.

#### IN PARLIAMENT

##### Schedule A

Mr LUBBOCK asked the Chancellor of the Exchequer how many owner-occupiers of business premises he estimates will pay Schedule A tax in the fiscal years 1963-64 and 1964-65, respectively.

Mr GREEN: The liability of an owner-occupier of business premises to tax under Schedule A for the year 1963-64 is in general confined to cases where a ground-rent, feu-duty, etc., from which tax is deductible is payable in respect of the premises. I regret that no information is available as to how many owner-occupiers of business premises will be liable to tax under Schedule A for 1963-64 under this rule. Tax under Schedule A will not be chargeable in any case for the year 1964-65.

*Hansard*, Dec. 19th, 1963. Written Answers, col. 269.

#### GRADUATED PENSION SCHEME: REGULATIONS

The Minister of Pensions and National Insurance, has made regulations<sup>1</sup> containing proposals for amending the existing rules for the preservation of pension rights for employees contracted-out of the graduated part of the national insurance scheme. Most of the proposed amendments are designed to simplify the procedures and reduce the paperwork necessary when an employee leaves his contracted-out employment.

The regulations, which come into force on January 6th, 1964, have been approved by the National Insurance Advisory Committee, whose report<sup>2</sup> was published last month.

<sup>1</sup> *The National Insurance (Non-participation - Assurance of Equivalent Pension Benefits) Amendment (No. 2) Regulations, 1963, S.I. 1963 No. 1988. Price 1s.*

<sup>2</sup> *House of Commons Paper No. 23, Session 1963/4. Price 8d.*

## JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

### THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

#### Luncheon Meeting

The next luncheon meeting of The Association of Certified and Corporate Accountants will be held on January 14th, at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m. The guest speaker will be Mr Sam H. Jerrett, Director of the British Pottery Manufacturers' Federation, who has recently returned from his third visit to Japan and will speak on recent developments there.

#### CITY CHARTERED ACCOUNTANTS' DISCUSSION GROUP

A meeting of the City Discussion Group will be held on Wednesday next, January 8th, at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m. The speaker will be Professor H. C. Edey, B.COM., F.C.A., of the London School of Economics, whose subject will be 'Supplemental information in annual reports'.

#### SOUTH WEST LONDON DISCUSSION GROUP

The next meeting of the South West London Discussion Group of Chartered Accountants will be held at 6.45 p.m. for 7 p.m. on Monday next, at the Kingston Hotel, Wood Street, Kingston upon Thames, when there will be a visit from a District Inspector of Taxes.

#### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, January 6th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be Philipians, Chapter 4, verses 6 and 7.

#### CENSUS OF DISTRIBUTION REPORT

Part 1 of the Report on the Census of Distribution and Other Services for 1961 has been published by H.M. Stationery Office (price 7s). This census is the third of its kind to be taken.

The first part of the report gives national totals for retail establishments of all kinds, analysed by kind of business, by form of organization, and by size as measured by number of branches, turnover, and number of persons engaged. Figures are also given for the numbers of establishments selling each of a specified list of sixty-one commodities, this being information which was collected at the census for the first time.

The remaining parts of the report will be published during the next few months. They will include eleven parts giving details of retail trade in each of the standard regions of Great Britain, with particulars for towns and conurbations within them; one part containing summarized figures for all areas of the country; and one part containing information about gross margins, book

debts and other financial items which relate to retail organizations as a whole and not to individual branches.

A supplement to the report will contain studies of special aspects of retailing (for example, self-service and instalment credit trading).

#### ANNUAL ABSTRACT OF STATISTICS

The 1963 edition of the *Annual Abstract of Statistics* – the hundredth issue – was published on Tuesday (H.M. Stationery Office, price £1 2s 6d). The volume, which is prepared by the Central Statistical Office in collaboration with the Statistics Divisions of Government departments, brings together statistics relating to the social and economic affairs of the United Kingdom and gives annual figures, as far as they are available, for each of the years 1952 to 1962. Some of the tables include figures for the early months of 1963.

The new edition contains 366 tables of official statistics covering a wide range of subjects such as social conditions, labour, production, transport, trade, national income and expenditure, home and overseas finance, banking, insurance and prices. There are also five new tables providing figures on hire-purchase and other instalment credit, agricultural producer returns, Northern Ireland banks, turnover in the catering trade and production of synthetic resins.

#### LOCAL AUTHORITY SERVICES

Two statistical returns giving details of local government services in respect of police and fire services for 1962–63 have been issued by The Institute of Municipal Treasurers and Accountants with The Society of County Treasurers.

The return of police force statistics includes details of the expenditure of all police authorities in England and Wales other than the Metropolitan and the City of London police forces. For the year ended March 31st last, total net expenditure chargeable to rates and grants amounted to £97,731,706 compared with £91,713,362 in the previous year. Similarly, the cost per police officer on average daily strength has gone up from £1,673 5s to £1,715 5s and the cost per 1,000 population from £2,413 18s to £2,540 6s.

Statistics for fire authorities in England and Wales show that expenditure met from general rates and rate deficiency grants during the year rose from £30,043,725 to £33,913,313 or, in terms of costs per 1,000 population, from £652 4s to £727 16s.

Copies of the above returns are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1, price 5s each, post free.

#### THE ACCOUNTANT'S DIARIES

Users of *The Accountant's Diaries* are asked to note that the annual meeting of The Institute of Chartered Accountants in Ireland will be held on Saturday, May 2nd, and not Saturday, May 9th, as shown.

MOTOR — FIRE — CONSEQUENTIAL LOSS		
<b>MOTOR UNION</b>	INSURANCE COMPANY	<b>L<sup>TD</sup></b>
ROYAL EXCHANGE, LONDON EC3		

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## Farm Incomes . . .

UNTIL recently few 'hobby' farmers made profits and, if the old-style farmers were to be believed, no professional farmer ever made a good living either. Judging, however, by the trend of farm values since 1939, the situation seems to have been improving. Confirmation of this impression is provided by the latest report of the Farm Management Survey entitled *Farm Incomes in England and Wales 1961* (H.M.S.O. 8s). For that year some two thousand five hundred farm accounts were analysed, though these do not form a completely random sample of farms throughout England and Wales since the sample contains too high a proportion of larger farms. The average size of farm in the 1961 sample was 234 acres; the comparable figure for 1947 was 196 acres and the persistently rising trend in size over this period indicates either that farms are tending to increase in size, or that the farm survey is tending increasingly to collect accounts from larger farms.

The information assembled in this report is extremely detailed, suggesting that as far as this sample of accounts is concerned, the day when farmers kept their records on the back of the barn door has long since past.

Net income per farm of fifty acres or less was £649 in 1961; the comparable figure for farms over five hundred acres being some £4,950. When the average net income is expressed on the basis of the gross monetary return per hundred acres, the figures vary inversely with the size of the farm. On farms of over five hundred acres the return per hundred acres is estimated at £592, compared with £886 in the case of farms between one hundred and fifty and three hundred acres, while on the smallest sized farms, of fifty acres or less, the figure is given as the equivalent of £1,721 per hundred acres. The differences are presumably accounted for by the greater intensity of cultivation and the different types of farming appropriate to given sizes of holding, since it must be assumed that the figures culled from the accounts have been standardized for comparative purposes.

Of the various classes of farming, dairying seems to be the most profitable. Thus in 1961 the gross revenue from dairying on the smallest class of farm is shown as £7,112, compared with £2,315 from all classes of arable farming on the same size of holding. Even upon the larger size of farm – but not on those over five hundred acres – dairying is still the most important source of revenue, though such figures suggest a degree of specialization which does not in fact exist in British agriculture. For example, even on farms classed as 'dairying' the proportion of revenue

derived from that activity on all sizes is only just over half. Likewise, among farms of all sizes classed as 'arable' (where the measure of specialization is most evident in the figures), crops still account for just on 70 per cent of the gross revenue, while livestock and wool together account for nearly one-fifth.

It is well known that the mechanization of British agriculture has progressed beyond the stage achieved in most countries where farming is the major industry. To what extent this is due to intensive use of mechanical aids and to what

extent to the existence of generous capital allowances is another matter. However, an analysis of average expenditure on machinery depreciation, repairs, plus cost of fuel for operating cars and such appliances, as well as the electricity charge, shows that on all sizes of dairy farms, which averaged one hundred and thirty acres, these outlays accounted for £955. The comparable total for mixed farms averaging two hundred and fifty-five acres was £1,905; on livestock farms averaging three hundred and four acres, the corresponding outlay was £797.

## ... and Company Profits

IT is slightly ironic that whereas the Farm Management Survey has compiled financial data since 1936-37, the Board of Trade has analysed the accounts of public companies only for the years since 1949. Nor are the analyses comparable in respect of the detail, although recent years have witnessed a considerable improvement in the content and form of these Board of Trade annual surveys. Figures of the latest survey of the accounts of 2,173 public companies engaged in industry and distribution in the United Kingdom during 1961 are given in the December issue of *Economic Trends*.

The trading profit, before depreciation and other provisions, of these 2,173 companies whose 'average' accounting year ended in mid-December 1962, totalled £2,344 million and a further £113 million was earned from investments. Taxation absorbed £867 million, depreciation £572 million and, after other provisions had been made, net profits totalled £935 million. Of this sum the ordinary shareholders received some £426 million net, and reserves plus the profit and loss balance accounted for £480 million. A comparison of the appropriation of profits during the three years 1960-62 shows that ordinary shareholders increased their share from 28.19 to 31.5 per cent, partly at the expense of the tax collector who took 23.4 per cent of gross profits in 1960 but only 20.7 in 1962. The commentary in *Economic Trends* notes that although the rate of profits tax was raised from 12½ to 15 per cent in April 1961, the effect of the higher rate was greatly outweighed by the fall in corporate earnings liable to tax.

The proportion of company profits retained by companies has varied widely from year to year since 1949. For example, it was at its lowest at 36.6 per cent in 1952 but at its highest in 1959 when the corresponding figure was 46.1 per cent. The report comments that throughout this period the variations in the level of profits earned, coupled with more stable distributions to shareholders, have meant that allocations to reserves have varied widely. Between 1959 and 1962 the share of profits allocated to reserves fell from 24.3 to 17 per cent, a fall of virtually one-third.

Reviewing the data on depreciation, the commentary notes that the aggregate depreciation provided over the lifetime of existing assets already amounted to more than £4,100 million. Bearing in mind that each year's depreciation provision constitutes an addition to the resources of the company then, if the average rate of return of retained funds is maintained at the rate of recent years (i.e. 9 per cent) and the return re-invested to earn a similar yield, by 1970 the accumulated provisions for depreciation will be sufficient to replace the entire stock of existing capital. Such calculations are subject to the assumptions upon which they are based, but the commentary in *Economic Trends* considers that they support the view that the accounting practice of basing depreciation provisions on historical cost does allow, to some extent, for rising price levels in its aim of maintaining capital intact. The question is: 'To what extent is this true?' Furthermore, are there not dangers in assuming that the 'average' rate of return is the only rate?



## Thinking on the Right Lines

THERE are few human situations more frustrating than to be suddenly deprived of the means of transport, be the offending medium the car that will not start, the bus that has been 'withdrawn' from the schedule or the train that has been cancelled. It is understandable, therefore, that feelings are running high in many parts of the country, some remote and others not so remote, where railway lines and stations are threatened with permanent closure.

There are two main criticisms of Dr BEECHING's basis of selection. One is that although the criterion is supposedly economic necessity, it is the economics of the railways rather than those of the districts served that have been considered. An extreme instance is the proposal to close a number of branch lines running from large cities to growing development areas. This, someone has said, is a fine economic example of sawing off the branch on which you are sitting. The other criticism is that the social life of the country communities affected is in serious danger of disruption and that, in consequence, the railways should be retained if not as a paying proposition then as an essential amenity.

The Ministry of Transport has always been aware of the validity of this argument and provided in the Transport Act of 1962 for the establishment of transport users' consultative committees in various parts of the country. The functions of these bodies, briefly, are to receive and assess evidence of hardship and to consider and suggest any alternative services thought to be necessary. The British Railways Board has made available to these committees, on request, certain financial details as background knowledge, not so that they might review the profit and loss aspect of the proposed closures (for this is no part of their task) but rather to save them from contemplating even costlier alternatives.

So much importance was attached by various parties to this gratuitous gesture by the Board that last autumn Mr MARPLES invited Sir WILLIAM CARRINGTON, F.C.A., to consider what would be the most appropriate financial information to give to the committees bearing in mind their terms of reference. On investigation, Sir WILLIAM formed the firm opinion that it

would not be 'appropriate' to give them complete profit and loss and realization accounts in respect of each suggested closure because of the difficulties in equating actual receipts with true earnings, estimating contributory revenue, evaluating consequential savings, assessing what the sale of surplus assets would fetch and, finally, quantifying the cost of providing or subsidizing alternative facilities. After examination, he found that bases presently being used by the Board for compiling such information were 'well founded and sound in principle' and, in effect, adequate for the committees' purpose. The principal information so derived comprises, in the case of line closures, up-to-date statistics of receipts and direct costs and, in the case of station closures, the originating receipts and estimated costs of operation, maintenance and renewals. Additionally, the Board provides a five-year forecast of major renewals and maintenance work.

Sir WILLIAM's findings were accepted by Mr MARPLES and by the committees but not by Mr BRUCE MILLAN, M.P. (himself a chartered accountant) who, in the adjournment debate in the House of Commons before Christmas, described the report as 'an extremely muddled document' because, he went on, 'Sir WILLIAM does not apply his mind to the question of what consultative committees are meant to be doing and what financial evidence is relevant for them to consider in that context'. A detached reading of Sir WILLIAM's report and of the Hansard report of the debate suggests that it is Mr MILLAN who has not applied his mind sufficiently to this aspect of the problem. Sir WILLIAM, aware of the restricted powers of the committees, reports scrupulously within the terms of his brief and he does mention that the financial information about which Mr MILLAN is apparently so concerned should be made available to the MINISTER. This is exactly as it should be because it is the Government – not the British Railways Board (which is, after all, only the body on the operating table) or the committees (which, in their role of making conditions more comfortable for everybody concerned, might be regarded either as anaesthetist or nurse) – which will have to perform the necessary amputations.

# 'Top Hat' Pensions

by AN INSURANCE CORRESPONDENT

**T**HERE is no doubt at all that a 'top hat' pension policy is now among the status symbols displayed by executives and others. Whether, however, it is always used to the best advantage is open to doubt. Certainly it would seem that some employers offer it to fairly young employees as a means of keeping their own contributions as low as possible; though there are arguments for and against the 'top hat' policy. Perhaps, however, in the long run what matters most is how and when it is used.

In the first place, it may be sensible to see exactly what a 'top hat' policy is and when, in most cases, it can be used by firms to the best advantage. One of the drawbacks so far as most overall pension schemes are concerned is that all employees are cast in the same mould, and it is not possible to vary the benefits for individuals. A sensible arrangement, therefore, in many cases is for the existing pension arrangements of selected employees to be supplemented by an individual 'top hat' pension.

Incidentally, partners and sole proprietors are not eligible for this form of policy. Nor is a controlling director. Working directors are not employees. It is important, therefore, to see that the memorandum, or articles of association, permit a pension provision being made for them.

## Providing for 'Key' Employees

Used intelligently as a supplementary pension, a 'top hat' policy has much to offer. It need not, however, be confined to this sphere. For instance, there are many firms which have a few 'key' employees. It may be thought right that every effort should be made to retain them and that reasonable provision should be made for them, in due course, to receive a pension. But it may not be the policy of the firm to institute an all-embracing scheme if, apart from the 'key' workers, there tends to be a comparatively high rate of turnover of labour.

A point of interest about this form of arrangement is that any person for whom a 'top hat' policy is effected can be contracted out of the State graduated pension scheme, even though the other employees may remain in it.

For those who have a 'top hat' policy in addition to a basic pension, there is the useful

point that all or part of it can be commuted for cash on retirement instead of being taken as a pension. Since the lump sum received is entirely free of tax, if necessary it can be spent. Or it can be used to provide a different form of pension. For instance, a man may buy an immediate annuity. In this case, if he is 65 at the time, only about one-third of the annual payments will be subject to tax, although this will be calculated on an 'unearned' basis. The reason for this is that the remaining two-thirds or so (which, in fact, is an arbitrary figure irrespective of the yield on the annuity) is looked upon as repayment of capital by the Inland Revenue. This arrangement may very well produce a larger net income than if the 'top hat' pension had been taken – for it would be wholly taxable, subject to relief being allowed on the basis that it was earned income.

## Commutation of Policy

So far as the question of commutation of a 'top hat' policy is concerned, broadly speaking the Inland Revenue will allow up to one-quarter of an employee's benefits from all retirement schemes to which an employer has contributed (apart from the National Insurance scheme) to be commuted. Nevertheless, under an approved superannuation fund, where the interest earned is not subject to tax, and tax relief is allowed in full on the contributions, no part of a pension from this source may be commuted. On the other hand, commutation is allowed in the case of a scheme which is not an approved superannuation fund, and in the case of 'top hat' policies. In practice, therefore, usually when a man will derive a pension from both an approved superannuation fund and a 'top hat' policy, it may well be possible to commute the policy to the extent of one-quarter of the capital value of the total pension benefits from the two sources.

There is a certain amount of flexibility so far as a 'top hat' policy is concerned. For instance, whereas normally the policy is based on retirement at the age of 65 (in the case of males), usually earlier retirement within ten years of this date is allowed, although the pension will be considerably reduced. If retirement will not take place until after the age of 65, the principle often adopted is that the contributions cease at

the age of 65 and the pension is increased when it begins to be paid.

An added feature of a 'top hat' policy is that it is customary for it to provide a cash benefit in the event of the employee dying before reaching the retirement age. In this case, however, the capital sum insured must not be more than what amounts to the equivalent of about ten times the maximum approvable annual pension.

Whereas this may sound satisfactory enough, clearly difficulties can arise so far as the question of cost is concerned. For there is no doubt that this type of policy can prove expensive when compared with other forms of pension (e.g. an approved superannuation fund).

The principle adopted is for the employer to pay the premiums – which rank as a normal trading expense in the usual way. Often, however, an employee is thinking in terms of a larger pension from this source than an employer is prepared to pay for. Where this difficulty arises, in principle there is nothing to prevent an employer from arranging with an employee for the latter to contribute towards the premiums. But in practice, if this course is adopted, only the normal life assurance relief of tax, amounting to two-fifths, is allowed on the employee's contribution to the pension.

Clearly, this is a serious drawback, especially when it is considered that the employee's contribution towards the basic pension scheme run by the firm is likely to be free of all tax. There is, however, a way in which this difficulty can be overcome. Briefly, it is for the employee to agree to sacrifice part of his salary. This can then be paid direct by the firm to the insurance company as premium under the policy. It can be seen that this has the effect of allowing the employee full relief of tax on his contribution – for his salary is merely reduced by the amount of the contribution.

### **Of Benefit to Employer and Employee**

When used properly, there is no doubt that a 'top hat' policy can be of considerable help to both an employer and an employee. Often, however, too much is expected from this type of contract. For instance, it is by no means unusual for some firms to offer 'top hat' pension policies to comparatively young executives. Usually the proposed arrangement is that each party shall contribute towards the cost, the employee doing so by means of the salary sacrifice already described.

Attractive as this may appear to be to the em-

ployee, it is doubtful whether this is always in his best interests. In the first place, it is not unusual for a young man to wish to move to another firm. So far as the 'top hat' policy is concerned, there could well be complications in the case of a move, in which case to some extent this arrangement might tend to bind the employee to the original firm. On the whole, therefore, probably it is sensible for anybody not to become too rigidly committed at an early age.

If a person in this position has money available which he wishes to put aside so as to act as a supplement to a pension, it may be a better plan to take out a 'with-profits' endowment policy on a private basis. In this case, the employee will have complete control over the policy. Furthermore, once it has earned a surrender value, it can be used as a security for a loan and may well prove useful when provision for school fees is necessary.

### **Option to Purchase Annuity**

When the policy matures, the employee still has the option to purchase an annuity (on the same basis as with a commuted cash sum from a 'top hat' policy). This means that by making this type of private arrangement fairly early in life there is complete flexibility, and in no way can it be affected by any changes of employment which may occur while the policy is in force.

There is much to be said for a man to think in terms of this flexibility and freedom until the age of, say, 35. At this stage in his career it may be sensible to accept the offer of a 'top hat' policy in addition to the basic staff pension scheme. Nevertheless, it is important that this 'top hat' policy should be drafted correctly. For in this case it may be possible for arrangements to be made for it to be taken over by the new employer.

When the subject of a 'top hat' policy is first mooted to a man who may be in the 35-40 age group, a point which should be borne in mind by both sides is that it is likely to be fair and equitable for the firm to bear a reasonable proportion of the cost of the policy. Certainly a firm which offers a policy in this way should be prepared to increase its contribution as the employee's salary rises.

This is an important point, which should be established at the outset. For it is not unknown for firms to establish 'top hat' policies by making a modest contribution to the premium, a similar amount being paid by the employee as a sacrifice of salary, but the firm's contribution is not increased as the man's salary rises. Either the subject may be forgotten, in which case the

employee will receive a comparatively low pension on retirement; or if he wishes to boost the payment towards the pension, he will find that this can be arranged only by increasing his contributions – in the form of further sacrifices of salary.

A further aspect should be considered when a 'top hat' policy is first arranged. In all probability if the man has been prudent, on marriage he will have arranged fairly high life cover – at least for the period until he calculates his children will be self supporting.

One of the most popular (and cheap) methods of obtaining high life cover is to supplement a

basic life policy with what are known as 'family income' benefits. The premium each year simply covers the actual risk and there is no return of premium in the event of survival (although if an increased premium is paid, a survival benefit can be secured). This type of policy will pay an annual tax-free sum from death until an agreed date in the future.

Since, however, a 'top hat' policy has a death benefit incorporated in it, there may be no need to continue to have such high 'private' cover. Probably the best plan, therefore, is for a man to let all or part of his 'family income' policy lapse and so save the premiums.

## The Accounting World

### UNITED STATES

#### **Codification of Auditing Statements**

THE American Institute has issued a new codification of its auditing statements. It has strengthened previous statements in two areas. The auditor is now required in all cases to disclose in his report on financial statements published with comparative figures for prior years, that he has not made an examination of the latter, if this is the case. Secondly, in his long-form report which gives more information than the short form, he must now specifically express an opinion about any supplementary data not in the short-form report, or he must specifically disclaim it.

This will be an important change in practice, says the *Journal of Accountancy*. The committee has warned of the importance of distinguishing carefully between the representations of the management and the auditor. The *Journal* concludes that it is a source of satisfaction that the profession has initiated this action without waiting for pressure by the public or the Government.

#### **Laxity in Depreciation Accounting**

PROFESSORS George L. Battista, C.P.A., and Gerald R. Crowningshield, writing in the *NAA Bulletin* for December, find it difficult to understand why accountants, who take such pains to match costs with revenues, are so lax where depreciation is concerned. They point out that increasing labour costs are forcing industry into more mechanization and automation. The investment in fixed assets will thus be rising to unprecedented heights, and depreciation will continue to grow in proportion to other costs. Accounting which may have been satisfactory when depreciation was a relatively minor cost will then have to be reconsidered. At

present, they say, there is a lack of principle. Management should not be allowed to choose one method or another at will. There can be only one depreciation figure which is proper for any given asset. No method selected for its facility or its tax advantage can produce the proper charge against revenue. They argue, therefore, for use of the annuity method which takes into account a proper return on the capital invested in the asset, with a net increasing charge against profits for depreciation each year.

The authors would also have the total estimated repairs for the whole life of the asset charged against profits evenly over that life. They conclude that Federal tax law should not be allowed to mould depreciation practices for book purposes. Depreciation practice should follow the reasoning of management, taking into account the rate of return implicit in the acquisition cost, so that the depreciation provision reflects the structure of the management's decision to buy.

### NETHERLANDS

#### **Nederlands Instituut van Accountants**

THE 1962-63 report of the Council of the Netherlands Institute of Accountants shows that the Institute's membership is still growing and totalled 1,874 on August 31st, 1963. Since that date the number of members has risen to 1,914 after the recent Final examinations. The percentage of members in practice is 49.2; 21.2 per cent are in trade and industry and 17.6 per cent in public services. The number of student-members ('assistenten') was 2,740 at August 31st last.

During the year, further steps were taken as to the legal regulation of the profession in Holland, for which purpose a Bill had already been passed in the

States-General in the preceding official year. The State Secretary of Economic Affairs has meanwhile brought into force transitory regulations. In addition he has laid down rules on 'the exercise of the profession of the register-accountant'. These rules are almost completely in conformity with those of the Netherlands Institute and of the Vereniging van Academisch Gevormde Accountants (Association of University-Trained Accountants).

The transitory regulations will allow the admission to this register of, *inter alia*, accountants holding a university certificate or a certificate of equal qualification. When the Act has come into effect, only accountants holding a university accountancy certificate or a certificate to be granted by the Nederlands Instituut van Register-accountants, to be set up in future, will be admitted to the register.

The annual report also records that the Institute intends to set up a scientific bureau for which its members have raised a considerable fund. It has also been decided to set up a commission for matters concerning the profession abroad. The commission has already commenced work and is headed by Mr H. C. Treffers.

#### New President

At the Institute's annual general meeting held on December 21st, last, Mr H. Gerritsen retired from the office of President. He has been succeeded by Professor G. L. Groeneveld, of Eindhoven, and the Vice-President for the year 1964 will be Mr P. J. H. J. Bos, of Amsterdam.

### SOUTH AFRICA

#### The Society of Incorporated Accountants Trust

WHEN the scheme of integration of The Society of Incorporated Accountants and the Chartered Institutes in the British Isles was completed, the three South African branches of the Society found themselves virtually in the position of being branches with a defunct head office and their activities were gradually but inevitably brought to an end. In 1960, the Society of Incorporated Accountants Trust was formed when the remaining funds of the three branches were passed to the Joint Council of the Societies of Chartered Accountants of South Africa to administer.

The Joint Council decided to use the income arising from these funds to provide prizes in various fields of accountancy. To date, Incorporated Society Prizes have been established consisting of an award of R40 (£20) to the candidate gaining the highest marks in the qualifying examination of the Public Accountants' and Auditors' Board, together with a suitably inscribed certificate, and awards of R20 (£10) to each of all other candidates obtaining honours in the qualifying examination, together with suitably inscribed certificates. The first mentioned of these prizes was awarded for the first time in 1961 and the

second series of prizes were awarded for the first time in 1963.

The Joint Council has now announced its intention to award, every two years in future commencing in 1964, a prize of R200 (£100), with a suitably inscribed certificate, to be known as the 'Incorporated Society Essay Prize', for the best unpublished essay submitted by a chartered accountant (South Africa). For the 1964 competition, candidates must be under the age of 35 on March 31st, 1964, and must, not later than that date, notify the Secretary of the Joint Council at P.O. Box 2995, Johannesburg, of their intention to compete. The panel of judges for the 1964 competition will consist of the Chairman of Joint Council, a university professor and one other chartered accountant (South Africa) nominated by the Joint Council.

### CANADA

#### Canadian Association of Management Consultants

THE inaugural meetings of the Canadian Association of Management Consultants were held in Toronto and Montreal in October. The founder members are ten firms representing 60 per cent of management consulting in Canada. The association's primary aim is to establish standards that will raise the quality of consulting services.

The president of the association is reported as having said that management consultants have more than one thousand two hundred clients, representing virtually every kind of business in Canada, from coast to coast, and including Government departments. Membership of the association is restricted to firms that have been engaged in management consulting in Canada for at least five years, with a minimum full-time staff of eight professional consultants. The five years is reduced to three years for firms 'of known reputation' previously established in other countries.

#### United States Bank Enters Canadian Field

THE First National City Bank of New York has entered the Canadian banking field through a take-over of the Mercantile Bank. This is an important financial event and something of a coup, writes Mr Jack Wright, in *Canadian Business* (November), for the Mercantile Bank is probably the only one with shares closely enough held to make possible the take-over. The bank is considered certain to bid aggressively for banking business from the larger subsidiaries of American corporations in Canada.

Canada's Minister of Finance is said to view with alarm this entry of an American bank into Canada, but the writer argues that further broadening of banking facilities is an asset, in a period when demands on Canadian financial institutions promise to be heavy.

# Accounting Principles and Conventions in Compiling Information for Management and Shareholders

by C. M. JENNINGS, F.A.C.C.A., F.C.W.A., A.C.I.S.

THE discussion in this paper assumes the business enterprise to be a manufacturing as well as a selling organization.

In Great Britain the accounting and statistical information provided for management purposes on the one hand, and for publishing to shareholders on the other, differs largely in the volume and detail of the information rather than in the adoption of different accounting practices and conventions. This is not surprising, since a board of directors may be likened to trustees acting for the shareholders to whom they have to give periodically an account of their stewardship, whereas the directors and management must be provided with such information as will enable them to run the business to the best advantage of the shareholders.

## 'Purpose' the Important Factor

2. There are, nevertheless, some problems which require different treatment, as the following example shows. In the case of a large group, some parts of the group may transfer their finished products at a price (including profit) to other parts who process what is to them raw material to the finished product stage for sale to a third party. At an accounting date the receiving party will have stocks of such material on hand which includes profit taken by the seller. From the group point of view such profit is unrealized and should be eliminated from the consolidated profit of the group in the published accounts. For management purposes, however, when looking at the performance of the constituent parts of the group, such profit must be attributed to the operations of the seller. Equally, for the purpose of the group's published accounts, the unrealized profit must be eliminated from the stock valuation figure in order to reduce the valuation to a 'cost' figure.

3. In Great Britain the minimum information for publication to shareholders and, to a certain extent, the form in which it should be presented, are prescribed by the Companies Act, 1948. (The limit to the length of this paper does not allow this statute and its contents in relation to accounting to be discussed.) However, as accounting thought and practice develop, information additional to that prescribed is often given to shareholders.

4. The figure which is probably of greatest interest to shareholders is that of profit, made up partly of trading profits/losses (usually the dominant part) and other income/charges. This is an age when enterprises are tending to become bigger by growth,

*A paper prepared for the European Congress of Accountants held in Edinburgh last September.*

diversification, merger, or take-over, and this trend usually results in an enterprise conducting operations in more than one product or group of products or, indeed, in more than one industry. Where this is so, it can be argued strongly that shareholders should be given the profit result for each of the constituent parts of the enterprise. This is not often done, certainly with any precision, although indications of the profitability of each sector are sometimes given in the directors' report on the published accounts. For management accounting purposes, however, it will be essential that this information be made available if the business is to be managed effectively.

5. The figure of trading profit is the end result of the application of accounting practices and conventions and includes at least two debatable and important subjects, i.e. the method of valuation of stocks and the method employed in providing depreciation of fixed assets.

## Valuation of Stocks

6. In Great Britain there is no single method of valuing stocks acknowledged to be the best and applicable for all businesses and circumstances. The subject has been discussed at great length in the Courts and in accounting literature. A leading case which went to the House of Lords on appeal was *C.I.R. v. Duple Motor Bodies Ltd* (40 A.T.C. 21; 39 T.C. 537). This was an income tax case in which the opposing sides were arguing as to the correct method of valuation of stocks of finished goods and work in progress. A fair interpretation of the decision would probably be that the Court was not willing to come down in favour of any particular method and would accept any reasonable method so long as it was applied consistently. Debate on this subject usually centres around whether such stocks and work in progress should be valued on what might be called a prime cost or direct cost basis or whether there should be an addition for oncost or overheads. Opinion is divided also as to whether the volume of production should affect the unit cost of a product and this brings with it the debatable question as to whether one can rigidly divide costs into fixed and variable charges. A common basis of valuation of stock is 'cost or market value whichever is the lower'. This

leads directly to the inquiry as to what is cost. I find it difficult to accept the theory that the value of stocks and work in progress should include as cost only those items which may be classed as prime or direct costs, e.g. raw materials and direct wages. It seems to me to be a fact that there are other charges which are incurred in the manufacture of a product, although they cannot be attributed so directly to the product as raw materials and direct wages can be. Examples of such charges are the cost of supervision, cleaning materials, lighting of the factory, and so on. In other words, I would take the view that all costs incurred, whatever the scale of manufacture, up to the stage when the product is fully manufactured, must enter into the stock valuation if the basis of cost is adopted. The valuation of stocks, as already described, is required for profit assessment and balance sheet purposes at the end of accounting periods of time – usually yearly periods. It is this arbitrary division of the life of an enterprise into fixed periods (which receives legal support) which leads to difficulties. For instance, at a point in time, certain manufactures may be judged to be of little value because consumers are more selective and this hardening of consumer preference coincides with free availability of the goods. The profit of the period being dealt with is therefore depressed. A relatively short time may pass, and another accounting period be entered into, after which the goods can satisfy a demand because market conditions change. The then current accounting period consequently benefits profit-wise from such a change. Management, however, must not be influenced by the results of an arbitrary sub-division of the life of the enterprise. If during a slack period of industrial activity it is judged worth while to produce goods for a future trading period, the information required for management purposes is the *additional* (or incremental) cost of producing the additional stocks for the purpose of earning profit at a future date.

### Depreciation

7. The theory of providing for depreciation of fixed assets is equally controversial. In classical theory, depreciation has to be provided because of the loss in value which occurs in the use of fixed assets, and any other diminution in value should be covered by some other provision, commonly known as an obsolescence provision.

It is the duty of management on behalf of the shareholders to ensure as far as possible that the shareholders' capital is maintained intact. This can only be done if, out of the cash-flow arising each year from the operations of the enterprise, such provision is made as will, at the end of the life of the assets, replace them or be available for alternative investment or refund to the shareholders. If this is to be accomplished an annual sum must be provided which will cover not only depreciation through use but diminution in value from any other cause, and the safest and

easiest way of doing this is to make a provision calculated by reference to the cost of the asset and the expected number of years of its working life. This means, of course, that such a provision will cover not only depreciation in use but the loss in value occasioned by technological change or failure of a market. The importance of a company's depreciation policy looms larger in present-day circumstances where science and technology are opening up increasing possibilities of replacing well-known processes and plants by more modern ones which, for the same sum of money, increase output and probably improve the quality or range of the product. To put it another way, advances in technology tend to reduce the capital cost per unit of output.

8. The difficulty is accentuated when the value of the currency is changing, because when a plant is replaced the enterprise needs a larger sum of money to carry out the replacement. To take an example from one of the biggest industries in this country, if the year 1946 is taken as a base year (with the construction cost index 100) for the cost of building a representative plant, in mid-1962 the index rose to 230. It will probably be wise to assume that this change in the value of the currency, or to put it another way, the effect of inflation, will continue, though possibly at a lower rate. This leads to an increase in the cost of constructing plants. If management is to maintain the shareholders' assets intact, it must guard against the effect of inflation. It can do this broadly in one of two ways and each of these is used in Great Britain:

- (a) the physical assets can be revalued in current money terms and incorporated into the accounts compiled under the Companies Act, 1948, and published to shareholders, depreciation being based on these new values. If this is done, it follows that revaluations must be made at intervals in order to keep up to date;
- (b) the physical assets can be left in the published accounts at cost and additional appropriations made (which must be shown in the accounts) in an endeavour to cater for the effects of inflation.

### Return on Capital

9. In the long run, the success of the management of a business will be judged by the shareholders of that business in the light of the profitable use that management has made of the resources of the business. I have used the word 'resources' deliberately because they are not solely financial. The management itself, in order to discharge its trusteeship to the shareholders, will require to measure its own performance, and to do this requires what may be called 'guide data'. Such data will only measure performance on what might be called a 'first approximation basis' and further analysis of the components may well follow from the initial results thrown up. An important ratio to be sought in judging the effectiveness of



management is that of profit to capital employed, calculated as a percentage return on capital. This ratio may itself be broken down and expressed thus:

$$\text{Return on capital} = \frac{\text{Profit}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Capital employed}}$$

Every business looks at the percentage return of profit it makes on its sales and in many industries it is possible to derive this information from the published accounts or from the exchange of inter-firm comparative data or from trade association data. Each individual business can thereby see how it compares with its competitors and similar businesses. Equally, it is in the interests of every business that it turns over the capital it employs as frequently as possible in relation to its sales, and this becomes increasingly important as industry generally becomes more mechanized and highly capitalized in terms of fixed assets.

Probably the most important ratio, however, is the rate of profit a business earns on the capital it employs and this includes all fixed assets (land, buildings and plant) as well as working capital. The more technical an industry, the higher will be the proportion of total capital locked up in fixed assets. It must be remembered that once money has been spent on fixed assets, it cannot be reconverted to liquid resources in the way working capital can. From published accounts of competitors and other businesses, comparison may be made between enterprises on the basis of return on capital. This comparison is, however, limited in value because different enterprises show fixed assets in their published accounts on different bases. Some are at cost and others are at revalued figures. Even if they were all on a consistent basis of cost and the assets were precisely the same, the fact that they were purchased or constructed at different times means that their money values are different.

### Return Yielded from Fixed Assets

There are other guiding lights to help managements to navigate. For instance it would be absurd to invest money in plant which would not yield a greater return than the price one had to pay for raising the money initially for that investment in plant. The return yielded from fixed assets must be such as will enable a dividend to be paid to shareholders for taking the risks they do and this should be greater than that available to them had they put their money into a less risky investment – and it must be remembered that the Government's share of the proceeds earned by a business must be paid away in tax before the shareholders receive their dividend.

10. We are then led, as we were when discussing depreciation, to the basis of valuation of the fixed assets when computing return on capital. The true yield from an investment is that rate of interest which, when applied to discount the cash outflow (the cost of the investment) and the cash inflow (the cash receipts generated by the investment) over the effective life of

the investment, equates the present values of the cash outflows to the cash inflows. If this be accepted, then the profitability of investment in existing fixed assets must be measured in relation to the gross cost of such assets. Moreover, if management is to adopt the right forward policy for a manufacturing investment, the valuation of fixed assets must be on the basis of current cost, that is to say, on the assumption that the assets were replaced today. If this is not done, management can delude itself as to the effectiveness of the earning power of its investment in fixed assets.

### Practices rather than 'Principles'

11. It is worth while at this stage to go back to the subject of this paper, which uses the words 'accounting principles and conventions'. It seems to me that the word 'principle' is used very loosely by accountants in their speech and in accounting literature. Certainly, our art is based upon reason but I suggest we have conventions and good working practices rather than 'principles'. It is important that shareholders and management realize this because the expression of the conduct of an enterprise in terms of numerals and monetary units lends an air of exactitude and precision and may be misleading to those who do not inquire into the assumptions made in the preparation of accounting and financial statements. Probably the quality demanded most in an accountant is that of integrity, which finds its expression in the preparation of accounts which give 'a true and fair view', but the absence of accounting principles is demonstrated in many ways. If there were a 'principle of asset valuation' we would expect to find assets in different companies' balance sheets valued on the same basis. This is far from being the case. Some companies in their published accounts show their assets at sterling values current at a particular date; others' assets are valued at historical cost and yet others have a mixture of two bases. Integrity, however, is preserved because the basis of valuation is stated. The arbitrary division of the life of an enterprise mentioned above on the subject of stock valuation also enters into the practices and conventions. In many industries large sums of money are spent on research year after year and some individual research programmes run over from one accounting period to another. Such expenditure is considered to be of a revenue nature and is wholly charged in the period in which the money is spent. Quite often, however, such effort results in knowledge being gained almost of a 'capital know-how' nature, which will be the source of income accruing in subsequent periods. One could argue that part of such research expenditure should be carried forward to be charged in subsequent periods. The difficulty of evaluation intervenes, however, and we take the prudent and conservative view that the expenditure should be charged to current trading and not carried forward. Another example is that of a publicity campaign involving heavy expenditure in one period of account



(particularly if a new product is being launched). Such expenditure is charged as it is incurred but the benefits accruing from it are accounted for in a subsequent period.

### Financial Planning

12. In addition to the data that is published to shareholders in the form of annual accounts and the supporting schedules thereto, management requires additional and more detailed data at frequent intervals, although full published accounts are made up only at yearly intervals. This data will involve the commercial, production, research, and other functional people, as well as the accounting side of the organization, but it will be crystallized in money terms.

13. This leads to consideration of financial planning. Management will call for profit forecasts for the current year and, say, three years ahead, which will demand a sales forecast and a cost of production forecast leading to a profit forecast. It will also require a forecast of capital expenditure or investment for the

same periods of time. All these forecasts will enable a cash requirement forecast to be built up for the same periods of time. It must be emphasized that the same accounting practices and conventions should be used for these profit forecasts as for published accounts so that, if need be, a forecast set of published accounts may be prepared and compared with actual achievements at some later date. These figures will be presented to the top layer of management and must be supported by shorter-term information given to subordinate officials in order that corrective action can be taken by those responsible as day-to-day events unfold. This may well lead to periodic revisions of longer-term expectations.

14. To conclude, this paper has endeavoured to show that there is no schism between management accounting and accounts published to shareholders. The main difference lies in the greater volume and detail of information provided for management purposes in order that the business can be effectively and beneficially run for the shareholders.

## Weekly Notes

### MORE NEW YEAR HONOURS

IN last week's issue we had pleasure in congratulating members of the profession whose names appeared in the New Year Honours List. We should now like to congratulate also two further members of the profession who were awarded the M.B.E. They are Mr W. E. Edwards, A.A.C.C.A., senior executive officer, Patent Office, Board of Trade, Manchester, and Miss Helen M. Lowe, C.A., F.L.A.A., who practises on her own account in Edinburgh and is honorary treasurer of the Edinburgh and Leith Old Peoples' Welfare Council.

### N.A.B.M. ON THE BUDGET

THIS year the National Association of British Manufacturers makes a number of suggestions to the Chancellor of the Exchequer in its annual memorandum on Budget policy. On general policy it re-affirms its opposition to purchase tax but thinks that if it cannot be abolished at the present time it should at least be simplified. The Association does not like the economic regulator which was invented a few Budgets back and wants some other put in its place, but it does not indicate what that might be. It also opposes export incentives as practised abroad.

The Association wants the burden of taxation shifted more from local to central Government and

sees this as a step towards lowering production costs in industry. To the same end it would abolish the tax on heavy hydrocarbon oil and the purchase tax on stationery and printed forms. The loss of revenue arising from these changes should be made good by a wider tax on gambling.

On direct taxation the Association wants profits tax levied only on distributed profits and would like the regulations on estate duties modified, especially on the valuation of private company holdings. It thinks that a corporation tax should be considered in place of income tax and surtax.

### BALANCE OF PAYMENTS

SINCE the first quarter of 1963 imports have continued to rise rather faster than exports; imports in the third quarter of 1963 totalled £1,075 million against exports of £1,014 million, leaving a deficit on visible account of £61 million. This compares with surpluses of £14 million and £19 million in the first and second quarters respectively. The surplus on invisible account has also declined since the beginning of the year, the third quarter's surplus of £33 million being just over half the figure for the first quarter.

Too much need not be read into this apparent deterioration, since the third quarter is always the most unfavourable period of the year for visible trade, largely because the effect of the holiday period is more marked upon exports than upon imports. An article in the latest issue of *Economic Trends* (December) summarizing these developments, notes that over three-quarters of the change between the first

and third quarters' figures is explained by seasonal factors. Nevertheless, when the first nine months of 1963 are compared with the corresponding period in the preceding year, there remains an unadjusted current surplus of £117 million, which is some £40 million higher than the 1962 figure.

The capital account figures are subject to even more marked fluctuations from quarter to quarter, but in the third quarter of 1963 there was a net outflow of £34 million. This is very close to the figures recorded for the first two quarters, but is above the levels of 1961 and 1962. When the current and capital accounts are taken together, the third quarter's overall deficit is £62 million, but this again is no more than a reflection of the unfavourable seasonal movement. Taking the first nine months of 1963 there was a surplus on capital and current account combined of £22 million, compared with a surplus of £49 million in the same period of 1962. It is evident from these figures that there is scope for a more intensive export effort yet.

#### MAJOR REVIEW FOR B.O.A.C.

THE new chairman of British Overseas Airways Corporation, Sir Giles Guthrie, took over last week. He started by ordering a review of the airline's route system as a first step to re-examining the Corporation's aircraft needs. He said at a Press conference last week that he would not hesitate to eliminate unprofitable routes if this were necessary.

Of the Corporation's £80 million deficit he said that it would be wrong to write this off until there had been a survey of the entire financial position. Mr Charles Hardie, F.C.A., joins the board in the middle

of January with special responsibility for financial matters and this fits in with the question of investigating the need for stricter financial control.

One big question, on which the new chairman would not be drawn, is the future of the V.C.10. Sir Giles said that he would be meeting the manufacturers of this aircraft in the near future. The V.C.10 is a Vickers project. Another matter on which the new chairman lays stress is the need to improve the way in which the Corporation's case is presented to the Government. Clearly, if the airline is going to separate its economical from its non-economical routes and concentrate only on the profitable ones, the Government and the Corporation will have to do some hard thinking and straight talking about the terms on which the other kind are run.

#### HIGHER SHIPYARD ORDERS

SOME measure of the economic recovery in the second half of 1963 is given by the fact that last year the tonnage of new orders for merchant ships to be built by British shipyards exceeded launchings for the first time in five years. Commenting on this fact, Mr A. G. Marr, President of the Shipbuilding Conference, points out that the new orders totaling about 1.4 million gross tons are encouraging for the future. Such a figure is near to the highest annual output by British shipbuilding yards since the war. The main source of stimulus came from improved freight rates and the Government's shipbuilding credit scheme which was introduced in May 1963. The scheme, which involved in the end giving loans amounting to £75 million for new tonnage, was worth about 800,000 gross tons in new orders, equal to rather more than half the effective annual capacity of the yards.

Mr Marr went on to say, however, that world capacity significantly exceeds potential demand. It is by no means certain that the now satisfactory level of orders means encouraging profit margins for the shipbuilders. He hoped, however, that if costs of labour and materials could be kept under control, the shipyards should begin to see 'tangible results' from the capital investment of recent years. The type of tonnage ordered - larger tankers, bulk carriers, and fast cargo liners - meant that the yards capable of building big ships were doing better, rather than the medium-sized yards.

#### REPORT ON TEXTILES

A REPORT<sup>1</sup> just issued gives the general trend of the textile industry in Europe and North America in 1962 and 1963. In brief, it records higher output of textiles in the United States and Canada but little improvement in Europe.

Estimated expenditure on clothing in Europe amounted to about 12 per cent of total private consumer spending compared with just over 8 per cent in

<sup>1</sup> *The Textile Industry in the O.E.C.D. Countries, 1952-1963*. O.E.C.D. Information Service, 2 Rue Andre Pascal, Paris, 16.

### THE ACCOUNTANT ANNUAL AWARDS for 1964

Companies are reminded that they still have until *January 31st* to submit their reports and accountants presented at annual meetings held in 1963 for consideration for *The Accountant* Annual Awards to be made this year - the eleventh year of the Awards.

Entries should be addressed to the Secretary, *The Accountant* Annual Awards, 151 Strand, London WC2. The only condition of entry is that companies' shares are quoted on a recognized stock exchange in the United Kingdom.

the United States, suggesting that the demand for clothing is likely to level off in Europe as the standard of living approaches that in the United States. The report points out that the effect of the division of Europe into two customs areas has been to the disadvantage of those countries whose biggest textile market was in areas other than those in which they are themselves integrated. The biggest sufferers have been Western Germany, Austria and Switzerland.

The rate of investment has increased noticeably, despite the comparatively slow increase in the

overall level of production. In 1962 the level of investment in the European textile industry was estimated at \$1,000 million compared with \$610 million in the United States. The report says that there is an increasing tendency for the 'cost of amortization' to equal labour costs. In 1962 the labour force in the textile industry decreased by about sixty thousand in the O.E.C.D. area, a drop of 2 per cent, while production went up by about 2 per cent. There is, therefore, a tendency towards greater use of capital per worker in the industry.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 206

**P**ROBLEMS. Worries. Neuroses. Ulcers. Waking up in the cold pre-dawn hours to lie brooding. Dreaming of vague sinister shapes lurking in shadowy ambush. What if prolonged sickness outruns the scale of concessionary salary payments? What about redundancy if business contracts and profits decrease? How to cope with enforced early retirement on an inadequate pension? What about one's dependants?

Some of us, the fortunate ones, are happy in their security. Some, less lucky, know not the day nor the hour. We don't let on, of course. We're the modern prototypes of the Spartan boy with the hidden fox cub tearing bloodily at his flesh.

I'm thinking of a recent period when our chairman was away on prolonged leave and the managing director had departed to a continental trade conference to be followed by his winter holiday. The deputy chairman took over in their absence. His reaction to accountants is less than ideal.

I brought him our monthly departmental trading accounts hot on the month-end. These useful documents show opening and closing stocks as well as purchases and sales, and the gross profit is closely estimated. Comparison with the budget figures highlights the variances. The normal procedure has been for the managing director to hold a series of rapid discussions with the appropriate buyers, the sales managers, and so on, and review past results and future policy. The departmental accountant and I customarily attend to supply further analyses or costings, and to help with the forecasts.

So I pointed out the underlined special discrepancies, the sharp fall in men's clothing sales, the sluggish millinery figures, the decline in turnover/stock ratios. We'd like to turn our stocks seven times per year, but we were only just making five; extra

push was essential. The deputy chairman just grunted. 'I'll see the sales manager', he said. To a further question he grunted again. 'No, I'll have a chat with the buyers. These tabulations are all I'll want from Accounts.'

In the event no one from accounts sat in at his meetings from then on. So far as he was concerned, we were merely a machine that supplied statistics. He didn't seek our views or interpretations; what explanations were given to him by the buyers, revelling in their freedom from the constraint of fact, I shudder to think. Admittedly, both charity and justice stipulate that most of our buyers are men of proven ability, integrity and courage . . . but you know how it is.

The deputy chairman sent us copy-letters, the originals of which had gone to the buyers, instructing changes in budgets or reviews of sales patterns. When I visited him with comments or queries he listened silently, his expression inscrutable. 'We're fully aware of that already', he said. 'Why not ask the buyer if you're worried?'

So we sent him a quarterly cost analysis that was rather good, with some provocative footnotes, but no reply came back. I saw him in his office, though it took two days to arrange an appointment. 'Yes, I studied them', he said. 'I've seen the sales manager about the travellers' commissions; he'll tell you what we're planning. The delivery-van replacements? The chief engineer will control that budget in future.' Was there anything else? Nothing vital, I told him, except for counter lighting fixtures skyrocketing. 'That was a must', he said shortly. 'Just ignore the budget.'

He treated our other reports in similar curt style; his estimate of the status of accountants is clear to everyone. The office grape vine is active. My staff are becoming edgy; I'm sleeping badly. Remember *The Ancient Mariner*?

'As one that on a lonesome road  
Doth walk in fear and dread,  
And having once looked round walks on  
And turns no more his head,  
Because he knows, a frightful fiend  
Doth close behind him tread.'

# Finance and Commerce

## Liability Deducted

A DIFFERENT approach to balance sheet construction is seen in the accounts of J. A. Weir Ltd for the year to September 28th last which form this week's reprint. The columnar form of account is not unusual in itself although the reconciliation of 'Surplus' (rather than the more familiar title 'Net Total Assets') with Share Capital and Capital and Revenue Reserves under the heading 'Representing' is hardly normal.

But the interesting point is the deduction of the fixed liability of £200,000, in the shape of 5½ per cent Mortgage Debenture Stock, from the fixed assets of £601,153. This is something that one does not recall having seen before — although recollection can be at fault sometimes.

The procedure, however, seems logical. If one is setting out to show what there is in the way of assets to set against the subscribed and earned

capital, obviously that portion of the assets which is charged to a lender of money is a deduction from the assets total.

The chairman of the company, it may be noted, is Mr John Dunlop, C.B.E., C.A., F.F.A., a Scottish accountant whose company directorships include Glasgow Industrial Finance.

## Fine Margins

The company is in paper making and the principal product is a first quality duplicating paper, a large proportion of which is taken by Gestetner and by H.M. Stationery Office on contracts. The company also produces fine writing and printing papers, greeting-card and wallpaper base and its Ilverdale Azure Laid finds its way into ledgers and account books.

This year's report and accounts are printed on Sabre Ivory Boards, a new quality product on which the company has been working for some time, introduced to the trade earlier in the year.

The higher profits, Mr Dunlop says in his annual review, came from a 4 per cent increase in sales and improved efficiency in the mill. In an industry of extreme competition and a persistent need to introduce fresh products and qualities, it is not surprising to read Mr Dunlop's statement that 'we have considered it prudent to increase the provision for depreciation'.

Net earnings available on the ordinary shares, he points out, amounted to £24,913, equivalent to

## J. A. WEIR LIMITED

### PROFIT AND LOSS STATEMENT for the fifty-two weeks ended 28th September 1963

	1963	1962
Trading Surplus for the Year	£142,439	£116,550
Add: Investment Income	345	345
	<u>£142,784</u>	<u>£116,895</u>
Deduct: Interest on Debenture Stock—Gross	£11,000	£11,000
Directors' Fees	2,000	2,000
Staff Pension Scheme	4,057	3,282
Employees' Superannuation Scheme	2,639	2,584
Depreciation	<u>52,500</u>	<u>50,000</u>
	<u>72,196</u>	<u>68,866</u>
Profit for the Year before Taxation	<u>£70,588</u>	<u>£48,029</u>
Taxation, based on Profits for the Year:		
Income Tax	£30,500	£20,500
Profits Tax	<u>11,500</u>	<u>7,500</u>
	<u>42,000</u>	<u>28,000</u>
Net Profit for the Year	<u>£28,588</u>	<u>£20,029</u>
Add: Surplus from Taxation written back in excess of requirements	—	£2,500
Balance of Unappropriated Profit brought forward from last year	<u>£27,943</u>	<u>26,511</u>
	<u>27,943</u>	<u>29,011</u>
Available for Appropriation	<u>£56,531</u>	<u>£49,040</u>
Appropriations made by the Board:		
General Reserve	£10,000	£9,000
Dividends:		
Preference Shares—Dividend paid for half year to 31st March 1963, less Tax	1,837	1,837
Preference Shares—Dividend for half year to 30th September 1963, less Tax	<u>1,838</u>	<u>1,838</u>
	<u>13,675</u>	<u>12,675</u>
	<u>£42,856</u>	<u>£36,365</u>
Appropriation Recommended:		
Dividend of 10% per Share on Ordinary Shares, for the fifty-two weeks to 28th September 1963, less Tax	<u>13,475</u>	<u>8,422</u>
Balance of Profit Carried Forward	<u>£29,381</u>	<u>£27,943</u>

Note: Directors' other Emoluments amounted to £8,292 (1962, £6,867).

## SCHEDULE TO BALANCE SHEET

## FIXED ASSETS as at 28th September 1963

At written down value at 30th September 1947, plus additions at cost to 29th September 1962	Land and Buildings	Machinery and Plant
200,000	£339,333	£787,560
£416,793		
Additions, during fifty-two weeks to 28th September 1963	460	36,400
100	£339,793	£823,960
Depreciation written off from 30th September 1947 to 29th September 1962	£94,619	£415,481
Depreciation written off for fifty-two weeks to 28th September 1963	5,000	47,500
	99,619	462,981

Written down value as at 28th September 1963

Written down value as at 29th September 1962

Note: Outstanding Capital commitments amount to approximately £2,000 (1962, £21,000)

## AUDITORS' REPORT

Edinburgh, 25th October 1963.—We have audited the books and accounts of Messrs J. A. Weir, Limited, for the fifty-two weeks ended 28th September 1963 and have obtained all the information and explanations which were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company.

The foregoing Balance Sheet and Profit and Loss Account, which are in agreement with the books of account, give, in our opinion and to the best of our information and according to the explanation given to us, the information required by the Companies Act, 1948, in the manner so required and give a true and fair view of the state of the Company's affairs at 28th September 1963, and of the Company's profit for the fifty-two weeks ended that date.

ROBERTSON & MAXTONE GRAHAM, C.A.,  
Auditors.

## J. A. WEIR LIMITED

## BALANCE SHEET as at 28th September 1963

Fixed Assets, per Schedule	1963	1962
Less: Fixed Liability:		
5% per cent. First Mortgage Debenture Stock, 1975, redeemable at 105, secured over Heritable Property	£601,153	£616,793
	200,000	200,000
	£401,153	£416,793
Trade Investment	100	100
Working Capital:		
Current Assets:		
Stocks on Hand	£438,401	£447,761
Accounts Outstanding	175,241	185,614
Investments in Government Securities at cost (Market Value, £10,777—1962, £10,665)	11,500	11,500
Cash in Bank and in Hand	22,689	527
	£647,831	£645,402
Deduct:		
Current Liabilities:		
Creditors	£100,933	£100,933
Taxation	49,781	49,781
Bank Acceptance Credits	209,522	209,522
Bank Overdraft	28,262	28,262
Net Dividend on Preference Shares for half year to 30th Sept. 1963	1,838	1,838
Net Dividend on Ordinary Shares as recommended by the Board	13,475	8,422
	363,109	398,758
	284,721	246,644
	£685,975	£663,537
Deferred Liability:		
Reserve for Future Taxation, including Reserve for Initial Allowances £16,000 (1962, £16,000)	48,500	37,500
	£637,475	£626,037
<b>SURPLUS</b>		
Representing:		
Share Capital:		
7½ per cent. Cumulative Preference Shares of £1 each	£100,000	£80,000
Ordinary Shares of 2s. each	250,000	220,000
	£350,000	£300,000
and the following Reserves:		
Capital Reserve—Share Premium Account	63,094	63,094
Revenue Reserves:		
General Reserve	£235,000	£225,000
Preference Dividend Reserve Account	10,000	10,000
Profit and Loss Account	29,381	27,943
	£637,475	£626,037

JOHN DUNLOP, Director.  
I. G. BURNS, Director.

gross earnings of 18.4 per cent on the ordinary capital and of 7.4 per cent on the ordinary capital and reserves. 'The latter figure', Mr Dunlop comments, 'illustrates the fine margins on which this and other paper making companies work.'

### A.B. Foods

THE accounts of Associated British Foods for the year to last March were drawn up with the Howardsgate Group excluded from the consolidated accounts, and the comparative figures for the previous year adjusted accordingly, although Associated did not sell a 51 per cent interest in Howardsgate until June 24th, 1963. The retained 49 per cent will be treated as a trade investment in the 1963-64 accounts.

The auditors of Howardsgate Holdings qualified their report (as they had the previous year) to the extent that 'adequate accounting records were not maintained up to January 5th, 1963, by the companies in the Fine Fare Group and we are unable to state that in our opinion the annexed accounts show a true and fair view of the results of the year ended March 30th, 1963, of the company and the group consisting of the company and its subsidiaries'. Fine Fare is the supermarket subsidiary of Howardsgate.

The rapid enlargement of the Fine Fare group, it was explained in a note to the accounts, resulted in accounting difficulties being experienced in dealing with the increased volume of transactions and the allocations thereof between the individual companies in that group.

### Over Two Years

The 'rapid enlargement' took place in the year to March 1962 and the accounting difficulties continued until February 5th, 1963. At that date statements of affairs were prepared for each company in the Fine Fare Group and an accounting system adequate for the increased volume of transactions was instituted.

The results shown by the group profit and loss accounts of Howardsgate Holdings and its subsidiaries for the two years to March 30th, 1963, were a loss of £2,213,000 before tax in 1962-63 and a profit of £529,000 in 1961-62.

While the loss for the two years, the note to the accounts states, can be fairly stated at an amount of £1,684,000 (i.e. loss £2,213,000 less profit £529,000), in view of the accounting difficulties 'it is not possible to state what adjustments would be necessary to the profit and loss accounts of the two years in order to give a true and fair view of the trading results for each of those years'.

At March 30th, 1963, net tangible assets of the Howardsgate Group amounted to £14,898,000 before deducting advances from Associated British Foods of £14,329,000. The accumulated revenue losses of the group attributable to Associated amounted to £830,000.

## CITY NOTES

AT long last sellers have temporarily got the whip hand in the equity markets. After the usual New Year buying rush had pushed up *The Financial Times* industrial share index to its highest point since May 1961, there was a bout of profit-taking in the early part of this week.

Business increased as prices fell - which is usually a sign that prices are being forced, rather than tentatively marked, down. The tussle in the market between economic and industrial hopes and political doubts had reached a point where excuses instead of reasons were having to be found for putting prices better.

Holders who had been watching the rise read the signs as pointing to at least a temporary top to the share price rise. The Chancellor's suggestions within the National Economic Development Council for a new look at controlling wage, cost and profit increases were naturally not to the liking of a market which needed evidence of a continuing profit rise to justify the ruling pitch of prices.

## RATES AND PRICES

Closing prices, Wednesday, January 8th, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

### Bank Rate

Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%

### Treasury Bills

Nov. 1	£3 15s	5.08d%	Dec. 6	£3 15s	4.58d%
Nov. 8	£3 15s	0.62d%	Dec. 13	£3 14s	8.89d%
Nov. 15	£3 15s	0.68d%	Dec. 20	£3 14s	4.54d%
Nov. 22	£3 15s	0.11d%	Dec. 27	£3 14s	5.08d%
Nov. 29	£3 14s	9.42d%	Jan. 3	£3 14s	4.19d%

### Money Rates

Day to day	2½-3½%	Bank Bills	
7 days	2½-3½%	2 months	3½-3½%
Fine Trade Bills		3 months	3½-3½%
3 months	5-5½%	4 months	3½-3½%
4 months	5-5½%	6 months	3½-4%
6 months	5½-6%		

### Foreign Exchanges

New York	2.79 11/16	Frankfurt	11.13 1/2
Montreal	3.02 7/16	Milan	174 1/2
Amsterdam	10.07 1/2	Oslo	20.03
Brussels	139.48 1/2	Paris	13.71 1/2
Copenhagen	19.32 1/2	Zürich	12.08

### Gilt-edged

Consols 4%	66 1/2	Funding 3% 59-69	92 1/2
Consols 2½%	43 1/2	Savings 3% 60-70	89 1/2
Conversion 6% 1972	107 1/2	Savings 3% 65-75	81 1/2
Conversion 5½% 1974	100 1/2	Savings 2½% 64-67	93 1/2
Conversion 5% 1971	99 1/2	Treas'ry 5½% 2008-12	95 1/2
Conversion 3½% 1969	94 1/2	Treas'ry 5% 86-89	91 1/2
Conversion 3½%	59 1/2	Treas'ry 3½% 77-80	79 1/2
Funding 5½% 82-84	98 1/2	Treas'ry 3½% 79-81	79 1/2
Funding 4% 60-90	95 1/2	Treas'ry 2½%	43 1/2
Funding 3½% 99-04	66 1/2	Victory 4%	97 1/2
Funding 3% 66-68	92 1/2	War Loan 3½%	59 1/2

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Depreciation in Accounts

SIR, - I know I am entering this correspondence rather late in the day but I feel Mr D. F. Goch's letter in your issue of January 4th rather oversimplifies matters, even when basic principles are under discussion.

Mr Goch is basing his example on what is, in effect, a new business which will survive for ten years and then 'die'. He says that if fixed assets of £5,000 and net current assets of £5,000 are required at the outset as capital employed, and if the fixed assets are written off over the ten years in equal annual instalments, the depreciation not being distributed to shareholders but invested outside the business, the capital employed will be reduced each year by the amount of the depreciation and that at the end of Year 10 the capital employed will, assuming full distribution of profits after tax but before depreciation, be reduced to £5,000. He goes on to say that assuming profits remain constant, the return on capital employed will have doubled.

Surely, in practice, no business except perhaps a custom-built factory, exists for a specific period and is then shut down. Plant is constantly being replaced or improved due either to wear and tear or obsolescence. Thus the funds set aside by way of depreciation are continually being utilized. Further, even in Mr Goch's example his assumption of profits remaining constant implies improved results since it is quite normal for the cost of repairs and maintenance to increase as the lives of the assets progress until Year 10 when they have to be scrapped.

Another point, perhaps more important, is that it would seem that the assets have been over-depreciated; having been written down to scrap value, they are still yielding profits at the same rate as when they were new. This is an argument for valuing assets at a figure which represents their revenue-earning potential.

This subject cannot, however, be considered in isolation, since, in my view, capital employed cannot be measured by examining a company's annual accounts. The effects of inflation are but one consideration; more important are the ever-increasing effects of leasing of property and plant on the capital employed, and of rents payable on those assets and other prior charges, on profits.

Yours faithfully,  
F. A. HARDING, C.A.

London EC4.

## Organization in the Profession

SIR, - Adverting to your concluding leader of 1963 (December 28th issue), the way ahead does lie in reciprocity. The President of the English Institute rightly objected to the exclusion of professional accountants from the London Government Bill; but how is this view reconciled with the exclusion from full membership of the Institute of professionally-trained local government accountants who remain an under-privileged minority in the Institute's ranks?

Can we have some reciprocity please to form the common experience between accountants?

Yours faithfully,  
H. K. GREAVES, F.S.A.A., F.I.M.T.A., A.A.C.C.A.,  
Chief Accountant,  
MANCHESTER CORPORATION TRANSPORT DEPT.  
Sale, Cheshire.

## Investing with Life Assurance

SIR, - As an accountant in a life assurance office, I am delighted that Mr Wraight (December 14th issue) is adequately covered by endowment assurance. As he is a 'prudent man' I am sure that his policies are 'with profits' so that it is fair to assume that after about thirty years he may find that the bonuses amount to the sum assured of the policies. Furthermore, if he is paying annual premiums, and should he not outlive the policies, his thinking in terms of 'current' and 'future' pounds would seem to be rather muddled.

May I digress in order to mention the fact that thanks to your columns, meetings of chartered accountants employed in the insurance industry now take place regularly in the City.

Yours faithfully,  
L. R. R. MILLER, F.C.A.  
London EC4.

## Founded in 1860

SIR, - We refer to the letter in your issue of December 14th regarding the age of Messrs Learoyd & Sons, of Halifax. If one is going to be most pedantic we cannot claim a longer record without a change in name, but our firm was founded in 1860 by the grandfather of the writer, under the name of C. M. Merchant. The only change that has taken place was when the writer's grandfather was joined in partnership by one of his sons and the firm's name was changed to C. M. Merchant & Son.

Yours faithfully,  
R. J. W. MERCHANT, F.C.A.,  
C. M. MERCHANT & SON.  
Bury, Lancs.

## Builders: Gross Profit

SIR, - I wonder if any of your readers dealing with the accounts of small builders could help me with some information?

The type of firm I have in mind is a small building firm specializing in contract work for individually

designed houses in the price bracket £6,000-£10,000 each, with a small permanent labour force, utilizing sub-contractors for specialist work and with a turnover of approximately £30,000-£40,000 per annum.

What would be a reasonable profit before tax

(expressed as a percentage of sales) that such a firm may be expected to achieve? The firm is located just west of London.

Maidenhead.

Yours faithfully,  
K. W. HARDING.

### Building Society Interest

SIR, - In your issue of December 21st, there appeared a contribution 'For Students' dealing with personal tax computation and relating to building society interest.

The article more or less dealt exhaustively with various situations by accompanying illustrations. However, there are two points on which I would like to ask for further elucidation.

(1) Illustration (2) dealing with marginal relief. May I know, authentically, at which point of the computation should one deduct any building society interest (included in total income) to arrive at the taxable income? To clarify the point disturbing me, I submit below the following computations for comparison: all the figures are per the article under review. The computation under (b) is mine.

If the provision intends that persons receiving building society interest 'are not liable to pay any tax on the interest' (paragraph 2), then the inclusion of such interest in the amount for deduction over the margin renders such interest chargeable to tax (i.e. at eleven-twentieths thereof), as shown under (b) below.

The difference in tax repayable in this illustration is insignificant, but cases may exist where the amount may be large, apart from 'error' of principle arising from such treatment.

(2) Under Illustration (4), particulars of income include 'He owns the house in which he lives (net annual value £120)'. However, this amount was not included in the calculation of income for surtax assessment shown in the article.

This may be an over sight; but could be misleading, particularly to students.

Yours faithfully,  
A.M.N. (A.A.C.C.A.).

[Section 445 (2), Income Tax Act, 1952, states that the actual amount of any building society interest received 'shall be treated as income . . . of the person entitled thereto'. The statutory total income in the illustration is therefore £827.

Section 211 (3), Income Tax Act, 1952, states that if an aged person's income exceeds £800 (for 1962-63) he shall be entitled to have his tax liability reduced so as not to exceed a sum equal to the aggregate of:

*continued on page 47*

(a)				Tax deducted				(b)				Tax deducted			
	£	£		£	s	d		£	£			£	s	d	
Dividends .. .. .		820		317	15	0		.. .. .		820		317	15	0	
Building society interest .. .. .	12							.. .. .	12						
Less: Ground-rent .. .. .	5							.. .. .	5						
		7							7						
		827							827						
Less: Margin (i) .. .. .		27						Less: (ii) .. .. .		7					
		800							820						
Less: Building society interest in excess of ground-rent (ii) .. .. .		7						Less: (i) .. .. .		20					
		793							800						
Age relief (2/9ths of £800) .. .. .	178							.. .. .	178						
Personal allowance .. .. .	140							.. .. .	140						
		318							318						
		£475							£482						
Chargeable:								£360 at reduced rates .. .. .	£84	0	0				
£360 at reduced rates .. .. .	£84	0	0					£122 at 7s 9d .. .. .	47	5	6				
£115 at 7s 9d .. .. .	44	11	3					Add: 11/20ths of £27 .. .. .	11	0	0				
Add: 11/20ths of £27 .. .. .	14	17	0												
				143	8	3						142	5	6	
Repayable .. .. .				£	174	6	9					£	175	9	6



- (1) the tax which would have been payable if his total income had amounted to exactly £800 and;
- (2) 'eleven-twentieths of the amount by which his total income exceeds £800'.

In the illustration the excess is £827—£800 (i.e. actual total income less notional £800). There is no ground for arguing as the reader does, that the excess is £820—£800, i.e. that the total income should first be reduced

to exclude building society interest.

To include in the 'margin' the building society interest received is not strictly to charge the interest to tax but to restrict the amount of age relief due.

It is regretted that in illustration (4) the net annual value of the house (£120) was inadvertently omitted from the surtax computation for 1962-63. The amount of the surtax assessment should read £2,560, not £2,440. — *Editor.*]

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.*

### William Cory & Son Ltd v. C.I.R.

In the High Court of Justice (Chancery Division) —  
December 5th, 1963

(Before Mr Justice PENNYCUICK)

*Stamp duty — Sale of shares in company — Option to purchase — Shares transferred to option-holder — No beneficial interest passing — Option exercised verbally — Whether transfer deeds dutiable as conveyances on sale — Whether option agreement dutiable — Stamp Act, 1891, sections 1, 54, 59, Schedule 1 — Law of Property Act, 1925, section 53.*

On August 13th, 1957, a representative of the appellant and a representative of a group of companies decided in principle on a sale to the appellant of the shares in the companies at the price of £450,000. On August 20th, 1957, a draft sale agreement was sent to the representative of the companies, and it provided for completion on November 1st, 1957. The draft contained a number of warranties, and in particular a warranty as to title, and it gave the appellant power to rescind if the title was not acceptable.

On September 10th, 1957, the solicitor to the companies sent to the appellant's solicitor a draft in a different form. The price was £450,000, as before, but completion was fixed for immediately after signature. On October 24th, 1957, the solicitor for the companies sent to the appellant's solicitor a clean copy of the draft incorporating the agreed amendments and also further amendments proposed.

On October 25th, 1957, the appellant's solicitor informed the solicitor to the companies by telephone that the appellant required an immediate option on the shares. Three days later the agreement of the vendors to an option was communicated to the appellant's solicitor. The option was conferred by an agreement dated November 1st, 1957. The consideration for the option was £100, and the option was exercisable within thirty days. The consideration for the shares was expressed as £420,856 3s 6d, which, together with the £100, was equivalent to £450,000 after deducting the price

of certain shares not comprised in the option agreement. The agreement also provided for the transfer of the shares in the companies to the appellant forthwith, but the transfers were not to pass any beneficial interest in the shares. On the same day eighty-nine transfers of shares in the companies were executed by the vendors and handed to a representative of the appellant. Each transfer deed was expressed to be in consideration of 1s, and contained a certificate to the effect that no beneficial interest had passed, and that it was made for the protection of the appellant's option rights, and that the fixed duty of 10s was payable.

On the next day the option agreement and the transfer deeds were submitted to the Controller of Stamps, who contended that the transfer deeds were chargeable as conveyances on sale. The duty amounted to £8,418, and it was paid without prejudice to the contention that no *ad valorem* duty was payable. On November 8th, 1957, a statutory declaration as to title was given to a representative of the appellant; and on the same day the option was exercised verbally at an interview between a representative of the appellant and the solicitor for the companies. The purchase price was paid forthwith. On May 20th, 1959, the Controller of Stamps adjudicated the option agreement as liable to stamp duty as an agreement for the sale of an equitable interest, and this duty came to £8,420. This assessment of the duty was an alternative to the duty already charged on the transfer deeds.

*Held:* (1) the transfer deeds were not conveyances or transfers on sale; (2) the option agreement was not an agreement for the sale of an equitable interest; (3) the appeal should be allowed.

### Ridge Securities Ltd v. C.I.R.

In the High Court of Justice (Chancery Division) —  
December 12th, 1963

(Before Mr Justice PENNYCUICK)

*Loss in trade — Dealer in securities — Purchase of shares and debentures — Dividend-stripping — Interest-stripping — Sale of shares and debentures — Sale prices less than market value as reduced by strip — Whether transactions commercial — Whether loss relief available — Income Tax Act, 1952, sections 169, 184 (2), 341.*

The appellant carried on trade as a dealer in securities. A subsidiary company (Ridge Investments)

acquired the shares of a company (Rokeby) for £123,000, which was financed by a loan from the appellant. The appellant itself acquired the shares of a company (Petrotim) and the shares and debentures of three other companies (Marlborough Mill, Marlborough Mules and Anthracite). Ridge Investments stripped Petrotim of its profits by the payment of a dividend. The appellant stripped the other three companies by a payment of interest. The appellant then sold the shares and debentures in Ridge Investments, the shares in Petrotim and the shares in Marlborough Mill, Marlborough Mules and Anthracite to another subsidiary (Blackheath) at prices less than the market value as reduced by the strip. The aggregate cost to the appellant of its holdings in the stripped companies was £3,346,843. The aggregate market value of the holdings after the strip was £1,624,975. The aggregate price paid by Blackheath was £840,099, and thus the aggregate loss to Ridge was £2,506,744.

The appellant caused Ridge Investments, Marlborough Mill, Marlborough Mules and Anthracite to create unsecured debentures in its favour. The debenture in Ridge Investments was dated January 19th, 1959, and secured the indebtedness of £123,000, that that company had incurred for financing its purchase of the shares in Rokeby. The debenture required Ridge Investments to pay in each year an annual sum described as interest equivalent to 90 per cent of the gross dividends received during the year. On March 31st, 1959, Ridge Investments paid £153,277 gross, £88,134 net. Marlborough Mill's debenture was dated March 26th, 1959, and secured £50,000 then paid to that company. Marlborough Mill covenanted to pay a yearly sum described as interest equivalent to 99 per cent of the gross dividends it received during the year; and on March 31st, 1959, it paid £181,443 gross, £104,390 net. Marlborough Mill's debenture bore the same date, and secured the same amount and contained the same covenant; and on March 31st, 1959, that company paid £810,091 gross, £465,802 net. Anthracite's debenture was dated April 2nd, 1959, and secured £100,000 then paid to it, and Anthracite covenanted as the Marlborough companies had done; and on April 3rd, 1959, it paid £550,414 gross, £316,888 net. The aggregate of these payments of interest is £1,695,225 gross.

On March 9th, 1959, the appellant subscribed for £1,000 redeemable preference shares in Blackheath at a premium of £90,000. The shares gave the right to receive all the profits of Blackheath after March 9th, 1959, until £90 had been paid on each share. On March 20th, 1959, Blackheath bought from Petrotim a holding of war loan, then worth £105,525 at the price of £10,000. On April 1st, 1959, Blackheath sold the war loan for £104,918. On April 3rd, 1959, Blackheath declared a dividend of £90 a share on its redeemable preference shares, and immediately afterwards redeemed the shares at par.

The appellant made a claim for relief under

section 341 of the Income Tax Act, 1952, and contended (i) that it had sustained a trading loss of £2,562,374; (ii) that it had received taxed interest of £1,953,002, which included the £1,695,225, and the dividend of £90,000 from Blackheath; (iii) that it was entitled to repayment of £810,639. The Inland Revenue refused the claim, and contended that the loss on the one hand and the interest on the dividends on the other hand, should be left out of account. The Special Commissioners, on appeal, decided that the only purpose of the transactions was to obtain repayment from the Inland Revenue by means of a claim under section 341; that the transactions were not genuine trading transactions of the appellant, but were a device for obtaining a tax repayment; that the obtaining of this repayment formed no part of the appellant's trade; and that none of the transactions could affect or enter into the computation of the profit or loss sustained by the appellant in its trade.

*Held:* (1) the decision of the Special Commissioners was correct; (2) except that the acquisition and disposal of the shares and debentures of Ridge Investments, and the shares in Petrotim, were in the course of the appellant's trade, and the resulting loss was a trading loss; (3) the sums paid as interest by Ridge Investments, Marlborough Mill, Marlborough Mules and Anthracite were not annual payments within section 169 of the Income Tax Act, 1952; (4) these payments were *ultra vires* those four companies, and had no legal effect; (5) except in respect of the shares and debentures of Ridge Investments, and the shares in Petrotim, the appeal should be dismissed.

### Dreyfus v. C.I.R.

In the High Court of Justice (Chancery Division) –  
December 19th, 1963

(Before Mr Justice PENNYCUICK)

*Surtax – Dividends – Deposit interest – Shares in name of nominee – Compulsory transfer of shares – Issue of shares in transferee company – Transferor company placing dividends in deposit account – Whether beneficial interest in appellant – Companies Act, 1948, section 209 – Income Tax Act, 1952, section 524 (1).*

The appellant held stock in British Celanese Ltd, including £92,500 ordinary stock registered in the name of a nominee company. In 1957 Courtaulds Ltd offered to acquire all the stock in the company in exchange for shares in itself. The offer became unconditional, but the appellant declined to accept the offer; and an application was made in the joint names of herself and the nominee company, under section 209 of the Companies Act, 1948, to prevent the acquisition of her stock but the application was dismissed. In pursuance of the section Courtaulds Ltd caused the appellant's stock to be transferred to itself, and caused a number of its shares to be allotted and issued to British Celanese Ltd in respect of stock held by dissenting stockholders, and British

Celanese Ltd was registered in the register of Courtaulds Ltd as the holder of these shares.

The appellant declined to accept cheques received by British Celanese Ltd on her behalf for dividends from Courtaulds Ltd, and returned the cheques to British Celanese Ltd. That company placed the amounts of the dividends to the credit of a deposit account in the appellant's name, together with £7,500 received from Courtaulds Ltd as the cash element of the consideration for some of the appellant's stock. British Celanese Ltd credited interest to the deposit account, and accounted for tax thereon. The appellant obtained repayment of income tax on the dividends, and British Celanese Ltd, at her request, sent her duplicate dividend vouchers for that purpose.

It was contended by the appellant that the dividends from Courtaulds Ltd paid to British Celanese Ltd should not be included in the calculation of her total income for surtax purposes; and that the interest on the deposit account should also be excluded. It was contended on behalf of the respondents that all the items in dispute were includible in computing the appellant's total income. The Special Commissioners decided in favour of the respondents.

*Held:* the Special Commissioners' decision was correct.

### Laidler v. Perry

### Morgan v. Perry

In the High Court of Justice (Chancery Division) –  
December 19th 1963

(Before Mr Justice PENNYCUICK)

*Income tax – Schedule E – Voucher from employer – Voucher spendable at particular shop – Whether amount of voucher an emolument – Whether a benefit in kind – Income Tax Act, 1952, sections 156, 161 – Finance Act, 1956, section 10.*

The appellant was a salaried employee of Associated Lead Manufacturers Ltd (Association), a subsidiary of Goodlass Wall and Lead Industries Ltd (Goodlass Wall). Associated was formed by a merger of a number of family businesses, in which there was a long history of making gifts in kind to the staff at Christmas. After the formation of Associated it was decided that that practice should continue. The reason for the practice was that it helped to maintain a feeling of happiness among the staff, and to foster a spirit of personal relationship between the staff and the management. The junior employees were paid at the normal rates, and the remuneration of senior staff compared favourably with that paid by other employers. All salaries were reviewed annually, and special good work was remunerated by money bonuses. The staff were given presents in kind up to Christmas 1938; but as this practice became impossible during the war they were given national savings certificates every

Christmas. In December 1947, the directors of Goodlass Wall caused a special cash bonus to be paid to each member of the staff of the group as a participation in the group's exceptional earnings in 1946 and 1947.

In October 1948, the directors of Goodlass Wall resolved that Christmas gifts amounting to £10 each should be made to the employees of all members of the group. It was left to the managing director of Goodlass Wall to determine the form of these gifts. Subsequently each member of the staff was asked to state in which shop he would prefer to spend vouchers of £10 each. When these wishes were known, vouchers for £10 were purchased and sent to the staff with a personal letter of good wishes from the Chairman. This practice was intended to restore the pre-war practice of giving presents in kind, but to do so in a way which would overcome post-war shortages of gifts and the larger size of the group. The practice had continued ever since. Employees who had been employed for more than ten months were given vouchers for £10 regardless of their remunerations, and those employed for less than ten months were given vouchers for something less than £10, again regardless of their remunerations. The vouchers were given without regard to personal circumstances, the personalities of the employees or the way in which they had carried out their duties. They were also given to all staff pensioners. They were not given to manual workers, but the latter were given a Christmas dinner in the canteen. Each voucher was exchangeable for goods to the value of it at the store named on the voucher.

The first appellant was employed as research manager by Associated, and he was within Chapter II of Part VI of the Income Tax Act, 1952. In addition to his salary he had received year by year a cash bonus, which was paid after deduction of tax. From 1955 to 1960 he received a Christmas voucher for £10 to be spent at Harrods Ltd, where he would not normally make purchases. He used the vouchers to purchase gifts which he would not have bought in the ordinary way. He regarded the giving of the vouchers as a gesture by his employer, and different from the bonuses which were a reward for effort.

It was contended on behalf of the appellant: (i) that the vouchers were not rewards for services and were not emoluments within Schedule E; (ii) if they were emoluments the amount assessable was something less than £10; (iii) the vouchers were not assessable pursuant to section 161 of the Income Tax Act, 1952. It was contended by the respondent (i) that the vouchers were emoluments of the appellant and were assessable under Schedule E; (ii) the amount assessable was the face value of the voucher namely £10; (iii) in the alternative that the vouchers were benefits or facilities within section 161. The Special Commissioners decided in favour of the respondent.

*Held:* the Special Commissioners' decision was correct.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council on Wednesday, January 1st, 1964, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr W. Guy Densem, Vice-President, in the chair; Messrs J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, P. F. Granger, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, J. D. Russell, D. Steele, A. H. Walton, V. Walton, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley, C.B.E.

### Mr Henry A. Benson

The Council congratulated Mr Henry A. Benson on the knighthood conferred upon him in the New Year Honours List.

### University of Hull

Mr E. G. Chadwick, A.C.A., Hull, has been nominated to serve as the Institute's representative on the Court of the University of Hull following the retirement of Miss P. Ridgway, F.C.A., and Mr D. C. S. Downs, F.C.A., as the Institute's representatives.

### Articles and Examinations

The following applications under various bye-laws relating to articles and examinations have been granted or refused during the six months ended December 31st, 1963.

	Granted	Refused
<i>Bye-law 54</i> (formerly bye-law 51): Waiver of prescribed provisions in articles	1	—
<i>Bye-law 66</i> (formerly bye-law 57): Permission to follow another business or occupation while under articles to limited extent specified in the application	16	1
<i>Bye-law 67 (b) (iv)</i> (formerly bye-law 58 (c)): Permission to spend up to six months in an industrial, commercial or other suitable organization during articulated service	13	—
<i>Bye-law 64 (b)</i> (formerly bye-law 61): Reduction in service under articles	14	—
<i>Bye-law 65 (a)</i> (formerly bye-law 63 (a)): Exemption from the Preliminary examination for former regular officers	1	—
<i>Bye-law 65 (c)</i> (formerly bye-law 63 (c)): Reduction in service under articles for former regular officers	6	—
<i>Bye-law 52 (c)</i> (formerly bye-law 79): Exemption from the Preliminary examination by virtue of age and experience	8	—
<i>Bye-law 84 (a)</i> (formerly bye-law 81): Permission to sit the Intermediate examination earlier than normally eligible	2	1

	Granted	Refused
<i>Bye-law 88 (b)</i> (formerly bye-law 85 (b)): Exemption from the Intermediate examination	1	5
<i>Former bye-law 86 (a)</i> : Permission to sit the Final examination, after completion of articulated service, earlier than normally eligible	27	—

### Registration of Articles

The Secretary reported the registration of 188 articles of clerkship during the last month, the total number since January 1st, 1963, being 3,549.

### Admissions to Membership

The following were admitted to membership of the Institute:

Binstead, Michael Terence Hugh, A.C.A., 1964; 'Thatch', Hastingwood, Harlow, Essex.  
 §Easton, Eric John, A.S.A.A. 1964; with Cooper Brothers & Co, Box 2536, Johannesburg.  
 Feldman, Philip Roland, A.C.A., 1964; Flat 10, Widewater Court, Shoreham-by-Sea, Sussex.  
 Heathcote, Robert Alexander Bridges, A.C.A., 1964; Millbrooke House, Newport, Isle of Wight.  
 Jackson, Edward Peter, A.C.A., 1964; 64 Norris Road, Sale, Cheshire.  
 Khan, Muhammad Aslam, A.C.A., 1964; 21 Cranhurst Road, London NW2.  
 Mehta, Gautam Kantilal, A.C.A., 1964; c/o K. B. Mehta, The Bank of Baroda Ltd, P.O. Box 9064, Dar-es-Salaam.  
 Poulson, David Frederick, A.C.A., 1964; The Cottage, Prospect Road, Prenton, Birkenhead.  
 Smith, Dennis Leslie, A.C.A., 1964; 76 Canon Street, Shrewsbury.  
 Taylor, Peter David, A.C.A., 1964; 8 Netherhall Gardens, London NW3.  
 §Wood, Colin John Milner, A.S.A.A., 1964; with Stewart Steyn & Co, P.O. Box 2322, Johannesburg.

### Fellowship

The Council acceded to applications from sixteen associates to become fellows under clause 6 of the supplemental Royal Charter.

One thousand one hundred and seventy-eight associates became fellows on January 1st, 1964, in accordance with clause 6 of the supplemental Royal Charter.

*a* Indicates the year of admission to the Institute.  
*aS* Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.  
 Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

**F.S.A.A.**

Sixty-eight incorporated accountant members A.S.A.A. became F.S.A.A. on January 1st, 1964, in accordance with clause 7 of the supplemental Royal Charter.

**Members Commencing to Practise**

The Council received notice that the following members had commenced to practise:

Aubrey, Harold Henry John, A.C.A., 1960; William E. Little & Co, Hanson's Chambers, 62 Church Street, Rugby.  
 §Brandt, Horst Hermann, A.S.A.A., 1961; P.O. Box 7004, Johannesburg, South Africa.  
 Ceeney, Michael Ernest, A.C.A., 1961; 257 Glanstone Avenue, Wood Green, London N22.  
 Child, David, A.C.A., 1957; Kilby, Sutcliffe & Co, Bull Green House, Halifax, and at Brighouse; also at Birkenshaw, Potter & Child.  
 Curley, Hugh Brendon, A.C.A., 1958; Coulthards, 23 Coleman Street, London EC2.  
 Davies, Elfed Afan, A.C.A., 1956; Croydon & Co, Windsor House, 46 Victoria Street, London SW1.  
 Durrant, Brian Geoffrey, A.C.A., 1960; 55 High Street, Iwer, Bucks.  
 Elphick, John Brian, A.C.A., 1961; E. Noel Humphreys & Co, 9-11 Old Bank Buildings, Eastgate, Chester.  
 Gearing, Frederick Charles, F.C.A., 1949; Perkins, Copeland & Co, 15 Gildredge Road, Eastbourne.  
 Haines, John Cyril George, A.C.A., 1959; William E. Little & Co, Hanson's Chambers, 62 Church Street, Rugby.  
 Heathcote, Jack Raymond, A.C.A., 1959; Stanier & Co, 111 Gospel End Road, Sedgley, Staffs, and at Nuneaton.  
 Hemus, David John, A.C.A., 1956; 43 Olton Boulevard East, Acocks Green, Birmingham 27.  
 Joyce, Ian Malcolm, A.C.A., 1963; 277 Woodcock Hill, Kenton, Harrow, Middlesex.  
 §Kohler, Anthony John, A.S.A.A., 1958; \*Turner, Williams, Kohler & Co, Linquenda House, Baker Avenue, (P.O. Box 1649), Salisbury, Southern Rhodesia.  
 Lawrence, Christopher James le Marchant, A.C.A., 1962; 344 Dyke Road, Brighton, Sussex.  
 Leete, Michael John Hargreaves, M.A., A.C.A., 1960; H. D. Leete & Co, York House, 12 York Street, Manchester 2.  
 Levy, David Lawrence, A.C.A., 1963; Lubbock, Fine & Co, 21 Red Lion Street, London WC1, and Lubbock, Fine & Co and R. V. Bell & Co, Bank Chambers, 746-8 Lordship Lane, London N22; also at Watford, Lubbock, Fine & Co and T. C. Prince & Co.  
 Littley, Eugene Frederick, A.C.A., 1959; M. W. Pike & Co, Trinity Square, Axminster.  
 McDonnell, Richard Alban, A.C.A., 1958; \*Deloitte, Plender, Griffiths & Co, and \*Deloitte, Plender, Haskins, Sells & Co, Caixa Postal 2922, São Paulo, and at Rio de Janeiro, Porto Alegre and Recife.  
 §Marsland, Norman William, A.S.A.A., 1955; 124 Leamington Avenue, Burnley.  
 Miller, Robin, A.C.A., 1959; Perkins, Copeland & Co, 15 Gildredge Road, Eastbourne.  
 Morris, James Ian, A.C.A., 1960; E. Noel Humphreys & Co, 9-11 Old Bank Buildings, Eastgate, Chester.  
 Niddrie, Robert Charles, A.C.A., 1958; Whittaker, Bailey & Co, 3 Portland Street, Southampton.  
 Pepper, Thomas Richard, A.C.A., 1961; Herbert Pepper & Rudland, National Provincial Chambers, Park Street, Walsall, and at Aldridge and Birmingham.  
 Robinson, Michael Albert, A.C.A., 1962; Stanier & Co, 111 Gospel End Road, Sedgley, Staffs, and at Nuneaton.  
 Shaw, Sidney Saul, A.C.A., 1954; Keane & Co, 42 Devonshire Street, Portland Place, London W1.

Stearse, John Crossley, F.C.A., 1953; †Finnie Ross, Welch & Co, Bow Bells House, Bread Street, London EC4, and at Glasgow.  
 Sutcliffe, Robert Crozier, A.C.A., 1963; Kilby, Sutcliffe & Co, 27 Bradford Road, Brighouse, and at Halifax.  
 Trace, Clement Vernon, F.C.A., 1930; M. W. Pike & Co, Trinity Square, Axminster, Devon.  
 Walker, Derek Tait, A.C.A., 1963; \*R. Tait Walker & Co, St Ronan's House, 129 Sandyford Road, Newcastle upon Tyne 2.  
 Watson, Charles Edward, F.C.A., 1937; Littleworth South, Esher, Surrey.  
 Williamson, James, A.C.A., 1957; Armstrong, Routledge & Co, 57 English Street, Carlisle and at Brampton, Bridgnorth, Wigton and Wolverhampton; also at Carlisle, James Watson & Son, and Penrith, Milburn & Dawson.

**Re-admissions to Membership**

Subject to payment of the amounts required by the Council, three former members of the Institute were re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

**Change of Name**

The Secretary reported that the following changes of name have been made in the Institute's records:

Davies, Elfed John Afan to Davies, Elfed Afan.  
 Barrington, Reinganum John Andrew Cecil to Barrington, John Andrew Cecil.  
 Rosenbloom, Samuel Anthony to Rose, Samuel Anthony.  
 Shew, John David, to Shaw, John David.

**Resignations**

The Council accepted the resignations from membership of the Institute of:

§Baker, Cecil, F.S.A.A., 1929; 16 Newborough Road, Shirley, Solihull.  
 Barron, Frank Harpham, F.C.A., 1913; Spring Garth, Hampsthwaite, Harrogate.  
 Black, Edward George, F.C.A., 1926; 4A Hillcrest, Upper Brighton Road, Surbiton, Surrey.  
 Black, Richard Arthur, F.C.A., 1937; 109 Kingsway, London WC2.  
 Bullen, Edward Ernest, M.B.E., F.C.A., 1927; 1 Ravenroyde, Clifftown Parade, Westcliff-on-Sea, Essex.  
 Burgess, Edward Herbert, F.C.A., 1949; 129 Hurlingham Road, London SW6.  
 Dashwood, Gerald Phillimore, F.C.A., 1926; The Small House, Lower Shiplake, Henley-on-Thames.  
 Evans, Frederick Lewis, M.M., F.C.A., 1921; 'Millfield', Cobham, Kent.  
 §Lightfoot, John, F.S.A.A., 1937; Parris Wood, Cwm Lane, High Cross, Newport, Mon.

**Deaths of Members**

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Henry Rowland Brown, F.C.A., Port Elizabeth.  
 „ Charles Ernest Bullock, O.B.E., F.C.A., Hanley.  
 „ George Clifford Carlisle, F.C.A., Leeds.  
 „ James Arthur Clarkson, F.C.A., Kenilworth.  
 „ Ernest Alfred Clive, F.C.A., Birmingham.  
 „ Harold Coates, F.C.A., Bradford.  
 „ Harold Hubert Edwards, F.C.A., Birmingham.  
 „ James William Griffith, F.C.A., Dursley, Glos.  
 „ William Douglas Griffiths, F.C.A., Wallasey.  
 „ Edward Francis James, F.C.A., Hounslow.  
 „ Howard Arnold Jenkins, F.C.A., Caerlon, Mon.  
 „ Ernest Darley Johnson, F.C.A., Formby, Liverpool.

Mr Llewellyn John Rowland King, F.C.A., London.  
 „ Hugh Nelson Murray, F.C.A., Windsor.  
 „ Percy George Norman, C.B.E., F.C.A., Bodmin.  
 „ Hugh Owen, F.C.A., Cardiff.  
 „ Alfred William Rawlinson, F.C.A., London.  
 „ Herbert Reynolds, F.C.A., London.  
 „ Henry Francis Smith, F.C.A., Liverpool.

Mr Clement Stansfield, F.C.A., Hebden Bridge.  
 „ Frank Warren Thomsett, F.C.A., Exeter.  
 „ Alfred Clifford Towers, F.C.A., Northampton.  
 „ Anthony Thomas Watkins, B.A., A.C.A., Marlow.  
 „ John Howison Waugh, B.COM., F.C.A., Newcastle upon Tyne.  
 „ Ronald Coulston Weston, F.C.A., Bromley, Kent.

## FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

*Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on November 6th, 1963, and at an adjourned hearing on December 4th, 1963*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Frederick Clough, A.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he failed (a) in his capacity as liquidator of a limited company, within a reasonable time or at all, to answer communications addressed to him by a Mr X. and (b) to reply to or take any action in response to three letters addressed

to him by an Under-Secretary of the Institute; (c) to notify the Secretary of the Institute of his change of address as required under bye-law 35 of the Institute or to ensure that letters sent to his registered address would be forwarded to him, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Frederick Clough, A.C.A., had been proved under all headings and the Committee ordered that Frederick Clough, A.C.A., c/o 5 Walpole Street, London SW3, be excluded from membership of the Institute.

*Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on December 4th, 1963*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that an associate of the Institute had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he signed the accountant's certificates required by section 1 of the Solicitors Act, 1941, and section 30 of the Solicitors

Act, 1957, relating to the practice of two solicitors practising together, for four accounting periods, which he knew or ought to have known were not correct, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint had been proved and ordered that the member be admonished, but the Committee considered that there existed special circumstances justifying the omission of his name from the publication of the Finding and Decision.

## MEMBERS' LIBRARY

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

The ABC of the Foreign Exchanges; by N. Crump: thirteenth edition. 1963. (Macmillan, 25s.)  
 Advance Planning for Continuation of a Practice. (American Institute of Certified Public Accountants.) New York. 1962. (A.I.C.P.A., 8s.)  
 Application of Data Processing Methods to the Management Requirements of Accounting Firms. (American Institute of Certified Public Accountants.) New York. 1963. (A.I.C.P.A., 8s.)  
 Apportionments for Executors and Trustees; by J. F. Josling: third edition. 1963. (Oyez Publications, 7s 6d.)  
 Cordery's Law relating to Solicitors; by Cordery; fifth edition by G. J. Graham-Green and D. S. Gordon 1961. Second supplement 1963. (Butterworths, 110s and 30s.)  
 The Elements of Income Tax and Profits Tax Law; by C. N. Beattie: sixth edition. 1963. (Stevens, 37s 6d.)  
 Executive Committee Control Charts: a description of the Du Pont chart system for appraising operating performance. (E.I. Du Pont de Nemours.) Wilmington, Delaware. (Du Pont, presented.)  
 Fitzgerald's Analysis and Interpretation of Financial Statements; by Sir A. Fitzgerald: third edition. Sydney. 1963. (Butterworths, 40s.)  
 Gatley on Libel and Slander; by J. C. C. Gatley: fifth edition by R. O'Sullivan and R. L. McEwan. 1960. ● Second supplement 1963. (Sweet & Maxwell, 147s and 7s 6d.)

How to Get Started in Management Services. (American Institute of Certified Public Accountants.) New York 1963. (A.I.C.P.A., 8s.)  
 The Law and Practice of Company Accounting in Australia; by T. R. Johnston and M. O. Jager. Sydney. 1963. (Butterworths, 120s.)  
 Managing a Transport Business; by W. S. Barry. 1963. (George Allen & Unwin, 35s.)  
 The Offices, Shops and Railway Premises Act, 1963; by I. Fife and E. A. Machin. 1963. (Butterworth, 27s 6d.)  
 Paciolo on Accounting; by R. G. Brown and K. S. Johnston. New York 1963. (McGraw-Hill, 42s.)  
 Paterson's Licensing Acts; by J. Paterson: seventy-second edition by J. N. Martin. 1964. (Butterworths, 97s 6d.)  
 Personal Taxation Explained; by P. J. Naish. 1963. (Evans Brothers, 25s.)  
 Preparing for the Auditors. (Counting House Publishing.) Thiensville, Wisconsin. 1949. (C.H.P., 2s.)  
 Production: national productivity year conference. . . . (British Productivity Council.) 1963. (B.P.C.)  
 Sunshades in October: an analysis of the main mistakes in British economic policy . . .; by N. Macrae. 1963. (George Allen & Unwin, 30s.)  
 Theobald on Wills; by Sir H. S. Theobald: twelfth edition by O. R. Marshall. 1963. (Stevens, 130s.)  
 Traffic in Towns: a study of the long-term problems of traffic in urban areas; reports of the steering group and working group appointed by the Minister of Transport. (Ministry of Transport.) 1963. (H.M.S.O., 50s.)

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Dublin on Thursday, December 19th, 1963.

The President, Mr R. P. F. Olden, was in the chair and there were also present Messrs John Love, *Vice-President*, John Bacon, A. S. Boyd, G. A. P. Bryan, Frank Cleland, M. M. Connor, A. E. Dawson, J. F. Dempsey, James Graham, N. V. Hogan, T. D. Lorimer, R. E. McClure, R. J. Neely and H. W. Robinson, with the *Secretary* and the *Assistant Secretary*.

Apologies for absence were submitted from Messrs W. H. O'Donnell and D. McC. Watson.

### Council Membership

The President welcomed Mr T. D. Lorimer, F.C.A., senior partner in the firm of Hugh Smylie & Sons, Chartered Accountants, Belfast, who has been Joint Secretary and Treasurer to the Institute since 1958, to his first meeting since his co-option to membership of the Council to fill the vacancy created by the resignation of Mr G. E. Cameron.

A further vacancy arising from the resignation of Mr James Walker, C.B.E., was filled by the co-option of Mr Darwin Herbert Templeton, F.C.A., partner in the firm of Ashworth, Rowan & Co, Chartered Accountants, Belfast, and immediate past-Chairman of The Belfast Society of Chartered Accountants.

### Death

The death in November 1963 of William Walter Barry, A.C.A. (retired), Belfast, was reported and noted with regret.

### Resignation

The resignation from membership of Miss Emma Bodkin, A.C.A., Dublin, was accepted.

### Fellowship

The following Associates were elected to Institute Fellowship:

Graham, John Stanley (Belfast).  
Heanen, Matthew William (Belfast).  
Johnston, Charles Edward (Belfast).  
Smyth, William Henry de Forde (Belfast).

### Practice

The following members were admitted to practice:

Clements, David James (Belfast).  
Corcoran, John Patrick (Dublin).  
MacLochlainn, Sean Donald (Letterkenny).  
Marsh, Louis Noel (Athlone).  
Ross, John (Belfast).  
Woods, John Kevin (Dublin).

Notifications of cessation of practice were reported from the following members:

Galligan, Peter C., F.C.A. (Dublin).  
Walker, James, F.C.A. (Belfast).  
White, John Swan, F.C.A. (Belfast).

### Membership

Myles Kevin O'Reilly, Dublin, who had completed the Institute Examination at the summer 1963 session, was admitted to membership.

Thomas Edward Lewis, Dublin, an Incorporated Accountant member of The Institute of Chartered Accountants in England and Wales, was admitted to membership.

### Articles of Clerkship

Approval was given to two applications for reduction in the term of service under articles under the provisions of Bye-law 80; one application was refused.

### Committees

Reports were received from the following standing committees:

Disciplinary, Education and Training, Finance and General Purposes, Parliamentary and Law, Policy, Public Relations, Taxation.

*Taxation.*—The Convener of the Taxation Committee (Southern Section) reported that, following the submission of written representations, members of the Committee had held discussions with the Secretary to the Revenue Commissioners and the Chief Inspector of Taxes on various aspects of the Irish Finance Act, 1963, and on other matters.

*Industrial and Administrative Members' Consultative Committee.*—The appointment to membership of the Industrial and Administrative Members' Consultative Committee of the following District Society representatives was approved:

Belfast Society: Mr J. E. Richardson, A.C.A.  
Dublin Society: Mr J. H. Sedgwick, B.A., B.COMM., A.C.A. (re-appointed).  
Munster Society: Mr Edmond Jennings, A.C.A. (re-appointed).

### A History of Accountants in Ireland

Mr H. W. Robinson, who had been asked by the Council to prepare a book on the history of the accountancy profession in Ireland to commemorate the seventy-fifth anniversary of the granting of the Institute's Royal Charter, reported that the book was now with the printers and was expected to be published at the end of February 1964.



# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS JOHN ADAMSON, SON & Co, Chartered Accountants, of 1 Chancery Place, Manchester 2, announce that Mr T. H. PARKER, F.C.A., acting on medical advice, has decided to reduce his commitments and retired from the partnership as from December 31st, 1963. Mr PARKER's services will be available in a consultative capacity whenever necessary. Mr P. O. CARTER, F.C.A., also retired from the partnership and he too will be available in a similar capacity at the Bolton office. The remaining partners will be joined in partnership as from January 1st, 1964, by Mr D. A. ROBSON, A.C.A., who served his articles with the firm and achieved distinction in his examinations, and by Mr J. D. O. CARTER, A.C.A., the son of Mr P. O. CARTER. The practice will be continued under the same name as hitherto.

MESSRS AGAR, BATES, NEAL & Co, Chartered Accountants, and Messrs AGAR, BATES, NEAL, KING & Co, Chartered Accountants, announce that Mr C. P. KING, A.C.A., and Mr E. A. PONCIA, A.C.A., have been admitted to partnership.

MESSRS J. C. ALLEN & Co, Certified Accountants, announce that Mr S. C. SILVERMAN, A.C.A., A.A.C.C.A., has been admitted to partnership from December 21st, 1963, on which date the offices were moved to 50 Princess Street, Manchester 1. Telephone: Central 6983-4.

MESSRS ANNAN, IMPEY, MORRISH & Co, Chartered Accountants, announce that as from December 27th, 1963, their address is as follows: Oldbourne Hall, 43 Shoe Lane, London EC4. Telephone: Ludgate 0154.

Mr DONALD ARMITAGE, F.C.A., practising as ARMITAGE & Co, at Brotherton Chambers, Leeds 1, and at Ropergate House, Pontefract, announces that as from January 1st, 1964, he has acquired the practice of FLETCHER HIBBERT & Co, Chartered Accountants, of 27 Hall Gate, Doncaster, and that as from that date the practice will be carried on by him under the style of ARMITAGE & Co, successors to FLETCHER HIBBERT & Co. Mr FLETCHER HIBBERT, F.C.A., and Mr WILLIAM G. DICKINSON, J.P., F.C.A., the former partners in the firm, will act as consultants to the new firm for a period of twelve months.

MESSRS W. H. BARNES & Co, Chartered Accountants, announce that as from January 1st, 1964, Mr N. H. BARNES, F.C.A., has retired from the partnership, which will continue to be carried on by Mr F. W. BARNES, F.C.A., Mr S. N. ELGAR, F.C.A., and Mr N. N. SASSIENIE, F.C.A., as previously, from 23 and 24 Bedford Row, London WC1. Mr N. H. BARNES will

be commencing his own practice as from the same date from 34 Watling Street, Radlett, Herts.

MESSRS W. D. BURLINSON & Co announce that their separate practices have been merged and are now conducted at West Park Chambers, 7-9 West Park Street, Dewsbury. Telephone: Dewsbury 4282.

MESSRS J. H. CHAMPNESS, CORDEROY, BEESLY & Co, Chartered Accountants, of London, announce that Mr ROGER ARTHUR HILL, A.C.A., who has been a member of their staff for some years, has been admitted into partnership as from January 1st, 1964.

MESSRS COOPERS & LYBRAND announce that they have opened an office at Via 4 Fontane 15, Rome, Italy.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, Peruvian firm, announce that Mr CHARLES HIGGINBOTHAM retired from practice on December 31st, 1963. They also announce that Mr FRANCIS J. A. WILKIE, Mr BRENDAN A. MILLS and Mr EUGENIO ARTURO GRIS ECHENIQUE were admitted as partners on January 1st, 1964.

MESSRS FORD, RHODES, WILLIAMS & Co, Chartered Accountants, announce that Mr R. FRANCIS, F.C.A., retired from the practice on December 31st, 1963, having been associated with the firm for over forty years, and a partner for the past seventeen years.

MESSRS FRANKLIN, GREENING & Co, Chartered Accountants, of Broomspring House, 85 Wilkinson Street, Sheffield, announce that Mr C. A. J. BIGGIN, A.C.A., and Mr B. E. SMITH, A.C.A., have been admitted into partnership.

MESSRS HARVEY PREEN & Co, Chartered Accountants, of Lawrence House, 3 Trump Street, London EC2, announce that as from January 1st, 1964, Mr D. R. G. COLLINS, A.C.A., and Mr G. J. YOUNG, A.C.A., who have been senior members of their staff for some years, have been admitted into partnership.

MESSRS LEIGH, STRUDWICK & Co, and Messrs G. CATO & Co announce that as from January 1st, 1964, their practices have been amalgamated. The new firm will practise under the name of LEIGH, STRUDWICK & CATO, Chartered Accountants, 9 Philpot Lane, Eastcheap, London EC3.

MESSRS LEWIS, BLOOM & Co, Chartered Accountants, of London W1, announce that Mr E. MALKINSON, B.COM., A.C.A., has been admitted into partnership. The name of the firm remains unchanged.

MESSRS GEO. LITTLE, SEBIRE & Co, Chartered Accountants, of Adelaide House, London Bridge, London EC4, announce that Mr DAVID T. ANSELL,

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## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.



A.C.A., who served his articles with the firm has been admitted as a partner.

MESSRS JAMES MESTON & Co, Chartered Accountants, of 10-12 Cork Street, London W1, announce that Mr CHARLES REID, D.S.O., M.A., C.A., has retired from the firm after forty-four years as senior partner. He will in future be available to the firm in a consulting capacity.

MESSRS EDWARD THOMAS PEIRSON & SONS, Chartered Accountants, of Coventry, London and Market Harborough, announce that their senior partner, Mr E. THOMAS PEIRSON, F.C.A., who has been connected with the firm for over fifty years, retired from the partnership on December 31st, 1963. He will continue to be available in relation to matters with which he has been personally connected and for consultation generally. They also announce that Mr JAMES R. THOMPSON, A.C.A., who has been a senior member of their staff for several years, was admitted a partner on January 1st, 1964. The name of the firm will remain unchanged.

MESSRS PITT & Co, Chartered Accountants, announce that as from January 1st, 1964, their practices at 105 Princess Street, Manchester 1, and 20 Acresfield, Bolton (partners, M. H. LEESE, F.C.A., R. A. PITT, M.A., F.C.A., P. CLARKE, F.C.A., V. DALLEY, F.C.A., F. D. MARSHALL, and A. R. ARMSTRONG, B.A., F.C.A.), and that of Messrs FREDERICK MURGATROYD & SON, of 40 Brazenose Street, Manchester 2 (partner, K. B. HILTON, F.C.A.), have been amalgamated. The combined practices will be carried on from 105 Princess Street, Manchester 1, and 20 Acresfield, Bolton, under the style of PITT & Co. Concurrently with the amalgamation Mr K. B. RAWLINSON, A.C.A., who has been associated with PITT & Co during the past fifteen years, has been admitted to partnership. The services of Mr S. BARLOW, M.B.E., F.C.A., Mr G. TWEEDALE, F.C.A., and Mr G. B. MURGATROYD, F.C.A., as consultants will continue to be available to the amalgamated firms.

MESSRS ROTH, MANBY & Co, Chartered Accountants, London W1, announce that they have taken into partnership Mr B. D. BRASS, A.C.A., and Mr S. P. EMIN, A.C.A.

Mr E. ROTHCHILD, A.A.C.C.A., announces that his address is now 80 Wimpole Street, Cavendish Square, London W1. Telephone: Welbeck 1328.

MESSRS SAFFERY, SONS & Co, Chartered Accountants, of Garrard House, Gresham Street, London EC2, announce that Mr M. W. DAWSON, A.C.A., who has been with the firm since entering articles in 1953, joined the partnership on January 1st, 1964. The practice will continue to be conducted in the name of SAFFERY, SONS & Co.

MESSRS STAFFORD RUDKIN & Co, Chartered Accountants, of 6, 7 and 8 Clement's Lane, London EC4,

announce that Mr A. G. SMART, F.C.A., was admitted into partnership on January 1st, 1964.

MESSRS STOKY, HAYWARD & Co, Chartered Accountants, of 97 and 99 Park Street, London W1, announce that with effect from January 1st, 1964, Mr DEREK ERNEST COX, F.C.A., and Mr PAUL ANTHONY HIPPS, A.C.A., have been admitted as partners in the firm.

MESSRS WHEAWILL & SUDWORTH, Chartered Accountants, of 10-12 Cork Street, London W1, announce that Mr CHARLES REID, D.S.O., M.A., C.A., having retired from the partnership on December 31st, 1963, will in future be available to the firm as a consultant.

### Appointments

Mr M. S. Berger, A.C.A., has been appointed secretary of Indian Steelworks Construction Co Ltd and its associated company the Metallurgical Equipment Export Co Ltd.

Mr R. E. Blackman, F.C.A., has been appointed an assistant general manager of Brown Shipley & Co Ltd.

Mr John K. Bradshaw, A.C.A., has been appointed to the board of Cranleigh Industrial Trust Ltd, a member of the Cranleigh Group. Mr Bradshaw joined the company last June as general manager.

Colonel D. H. Cameron of Lochiel, T.D., B.A., F.C.A., J.P., D.L., has been re-appointed a Crown Estate Commissioner on the expiry of his term of office.

Mr Norman Chapelow, F.C.A., secretary of Saunders Valve Co Ltd, has been appointed an additional director of the company. He will retain the office of secretary.

Mr D. M. Clarke, A.A.C.C.A., has been appointed deputy borough treasurer of Shrewsbury Borough Council.

Mr J. M. Clarke, F.C.A., formerly secretary of B.I.P. Chemicals Ltd, has been appointed commercial director of the company; he is succeeded by Mr W. R. Bloor, F.C.A., who is now secretary and chief accountant.

Mr F. A. Collinson, F.C.A., A.M.I.P.A., has been appointed a director of Saward Baker & Co Ltd.

Mr Thomas A. Egan, F.C.W.A., of Dublin, has been appointed a member of the Prices and Advisory Committee set up by the Minister for Industry and Commerce of the Republic of Ireland to inquire into the prices charged by soap manufacturers and the methods by which soap is marketed.

Mr L. G. T. Farmer, F.C.A., chairman of The Rover Co Ltd and President of The Society of Motor Manufacturers and Traders Ltd, has been appointed a member of the Export Council for Europe.

Mr K. B. Horton, A.A.C.C.A., A.C.W.A., has returned to the Trafford Park (Manchester) works of Lancashire Dynamo & Crypto Ltd as chief accountant.

Mr Thomas Irvine, F.A.C.C.A., has been appointed burgh chamberlain of Galashiels.

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## THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

### Dinner at the House of Commons

The President of The Institute of Cost and Works Accountants, Mr C. Eric Power, F.C.A., F.C.W.A., gave a dinner party in the Members' Room at the House of Commons last Wednesday. The company totalled over over one hundred, and among those present were:

Sir Kenneth Anderson, K.B.E., C.B. (*Deputy Director-General and Comptroller and Accountant-General, General Post Office*); Professor W. T. Baxter, B.COM., C.A., (*Professor of Accounting, The London School of Economics and Political Science*); His Excellency The Hon. Evan R. Campbell, C.B.E. (*High Commissioner for Southern Rhodesia*); Messrs V. R. Chennell, F.A.C.C.A. (*President, The Association of Certified and Corporate Accountants*); D. M. Clemens (*Director-General of Finance, National Coal Board*); Dr A. C. Copisarow (*Chief Technical Officer, National Economic Development Council*); Messrs James W. Dallachy, M.A., C.A. (*Vice-President, The Institute of Chartered Accountants of Scotland*); W. Guy Densem, F.C.A. (*Vice-President, The Institute of Chartered Accountants in England and Wales*);

The Rt Hon. Lord Drumalbyn (*Minister of State, Board of Trade*); Sir Francis Evans, G.B.E., K.C.M.G., D.L. (*Agent of the Government of Northern Ireland*); Sir John Evans, K.B.E., C.B. (*Deputy Chairman, Board of Inland Revenue*); Councillor Leslie Farmiloe, M.C. (*The Rt Worshipful The Mayor of the City of Westminster*); Mr G. C. Jones, F.C.A., F.I.M.T.A. (*President, The Institute of Municipal Treasurers and Accountants*); Sir Geoffrey Lawrence, Q.C. (*Chairman, National Incomes Commission*).

Sir Albert Mumford, K.B.E. (*President, The Institution of Electrical Engineers*); Sir Charles Norris, K.B.E., C.B., D.S.O. (*Director, British Productivity Council*); Mr R. P. F. Olden, F.C.A. (*President, The Institute of Chartered Accountants in Ireland*); Sir Richard Powell, K.C.B., K.B.E., C.M.G. (*Permanent Secretary, Board of Trade*); Messrs Arthur E. Wicks, J.P. (*The Rt Hon. the Chairman of the London County Council*).

There were no formal speeches. Mr Power welcomed the guests and Lord Drumalbyn briefly expressed the thanks of the guests.

### RATES AND RATEABLE VALUES

Following the revaluation which took effect as from April 1st, 1963, the Ministry of Housing and Local Government's annual publication, *Rates and Rateable Values 1963-64*, is this year published in two parts. Part I (H.M.S.O. 5s) contains an analysis of rate levels for all rating authorities in England and Wales for 1962-63 and the current year. In addition, the number of domestic hereditaments and their rateable value as at April 1963 are given for each rating authority, together with its mid-1962 population and its rate deficiency grant as a percentage of the appropriate expenditure.

Part II (H.M.S.O. 7s 6d) is the work of the Valuation Department of the Inland Revenue and gives a breakdown of rateable values in all the rating areas by type of hereditament in 1963-64. Domestic

properties are further sub-divided into three classes, i.e. rateable values of £1-£100, £101-£200, and over £200. No comparative figures are given for the previous year since 'because of revaluation, comparisons between the years 1962-63 and 1963-64 cannot be direct as usual'.

## LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

### Discussion Meeting

The London and District Society of Chartered Accountants' discussion meeting which was to have been held next Tuesday at the Oak Hall of the Institute at 5.30 p.m. will now take place on Thursday, January 23rd, at Beaver Hall, Garlick Hill, EC4, at 5.30 p.m. The subject will be 'Using the computer service bureau', and Mr E. Goode (I.C.T.), and Mr K. T. Woodward (I.B.M.), will be the main speakers.

Refreshments will be available afterwards, and members of the Scottish and Irish Institutes of Chartered Accountants are cordially invited to attend.

## BROMLEY AND SOUTH EAST LONDON DISCUSSION GROUP

The next meeting of the Bromley and South East London Discussion Group will be held on Monday, January 13th, at the Greyhound Hotel, High Street, Bromley, Kent, at 8 p.m., when the subject for discussion will be 'Amalgamations' and 'Disclosure in and presentation of accounts'. The discussion leaders will be Mr D. H. Kirk, F.C.A., and Mr R. S. Waldron, F.C.A.

## MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

### Discussion Group

A meeting of the Manchester Society of Chartered Accountants' Discussion Group will be held at 5.45 for 6 p.m. on Wednesday, February 19th, in the Chartered Accountants' Hall, 46 Fountain Street, Manchester, 2, when the subject for discussion will be 'Problems of controlled limited companies', lead by Mr Wm Pearce, A.C.A. The remainder of the spring programme is as follows:

*March 18th:* Joint meeting with Liverpool Society.

*April 29th:* 'The Budget', led by Mr J. A. Taylor, F.C.A.

*May 27th:* Joint meeting with Sheffield Society.

Inquiries regarding activities of the group may be obtained from the honorary secretary, Mr D. H. Eglin, A.C.A., at the above address.

### CORRECTION

In the report of the London Data Processing Discussion Group meeting in our issue of December 7th, reference was made to a computer that had been working for twelve years; the computer in question is LEO I and not LEO II as stated.

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## Restrictive Agreements and R.P.M.

THE third report of the Registrar of Restrictive Trading Agreements, covering the two years ended June 30th, 1963, was published last week as a White Paper<sup>1</sup>. The Registrar observes that in some industries the termination of agreements has, in the short-term, had no apparent effect and he adds that this may give rise to suspicion. His staff are making inquiries in certain cases. He expresses the hope that in the case of information agreements (where a 'market leader' circulates lists of the prices it charges), those concerned will very carefully consider their transactions in the light of the comments of the Court of Appeal in *British Basic Slag Ltd v. Registrar of Restrictive Trading Agreements* (L.R. 4 R.P. 116) on the meaning of 'arrangement'. In that case both Mr Justice CROSS and the Court of Appeal held that the steel companies, by setting up and maintaining the existence of British Basic Slag Ltd and by entering into contracts with that company in similar form to the knowledge of each other, were giving effect to an arrangement between themselves for a common selling organization for their production of fertilizers.

The Registrar expresses the view that a wider understanding of the effects of restrictive agreements in trade or industry is of great importance. He thinks there is too great a readiness to believe that the only vice of such agreements is the securing of excessive profits to the parties and accordingly that, if the profits moderate compared with those earned in competitive industries, the restrictive agreement is doing no harm to the economy, and adoption of means of evading the Restrictive Trade Practices Act, 1956, if available, is justifiable. The Registrar goes on to point out that prices enhanced by unnecessarily high costs are as injurious to the public as those enhanced by high profits.

Analysis of the effects of the Act suggests to the Registrar some consideration of the principle of non-discrimination in supply, e.g. that a manufacturer who normally sells through wholesalers should not be allowed to refuse to sell on

his normal terms to any person who deals, or wishes to deal, in the same goods as a wholesaler, provided that the order for goods is of a size usual in such sales. There might be cases where the person wishing to buy should be able to satisfy the manufacturer that he has the necessary technical knowledge to deal in the goods. There might also be cases where exclusive contracts are for the public good.

At June 30th, 1963, the part of the register open to public inspection contained particulars of 2,430 agreements – treating a series of common-form agreements as one agreement. The corresponding figure at the beginning of the two-year period was 2,350. These include, of course, agreements which have been terminated. About ninety-five agreements were added in the period; about one-half resulting from the enforcement procedure.

While the 1956 Act prohibits collective price fixing, section 25 makes it possible for manufacturers and wholesalers individually to enforce resale price maintenance against third parties. This provision has always given rise to doubts, for resale price maintenance is hardly calculated to have, as its direct effect, the reduction of prices and therefore of living costs. This week the subject has become headline news and as we go to press it is reportedly receiving the close attention of the Cabinet. A Government statement is, in fact, anticipated before Mr JOHN STONEHOUSE's private member's Bill to abolish resale price maintenance and to make it unlawful for goods to be withheld from cut-price retailers, comes up for second reading on Friday.

It is known that Mr HEATH has been reviewing a departmental report on resale price maintenance prepared some time ago and which is understood to be whole-heartedly against the practice. It would be interesting to see this report and it is a little difficult to understand why it could not have been published. The practice does, of course, help small shopkeepers to compete with the better-organized chain stores, but this can only be at the expense of the consumer.

<sup>1</sup> Cmd 2246. H.M.S.O. Price 3s net.

## Incomes Policy Problems

**W**HEN one recalls the discussions which preceded the acceptance by the Trades Union Council of Mr SELWYN LLOYD's invitation to join the National Economic Development Council, it is, no doubt, a matter for some satisfaction that Neddy has actually begun to discuss the \$64,000 question in the British economy, i.e. incomes.

The primary concern is with wages which represent by far the largest element in production costs, particularly in manufacturing industries which are the main source of United Kingdom exports. It is not merely pointless, but positively tactless, to stress this fact since it is the unions' belief that the Government would use a wages policy – just as they believe that arbitration has been so used – to peg wages while other incomes, in particular profits, would soar. The problem is thus not so much how Neddy is to devise an 'incomes' policy, but rather how can profits be regulated in such a way as to reassure the unions that their worst fears are groundless, and at the same time retain the major motivating force in what is still basically a private enterprise economy.

The latest meeting of Neddy has produced some curious proposals made by the employers. They are, first, that a commission might be established to examine and presumably regulate particular prices and, second, that if over a period profits should rise more than incomes, presumably on the average, the balance should be offset by taxation.

Such proposals are virtually unworkable within any economy which is not completely planned. The essence of a free economy is the unrestricted working of the price mechanism and with it the allocation of economic resources in response to price changes. Thus, differential wage rates indicate where various types of labour are most needed, just as rising profits are the clearest pointer to the need for new investment. If the wage structure is ossified and profits standardized, how then are the limited resources of labour and capital to be allocated?

No doubt it would be easier to regulate prices through a 'Prices Commission' than it has been to regulate wages by the National Incomes

Commission. To the extent that prices are stabilized it is even arguable that wage demands will be moderated. The evidence of the past twenty years shows that in periods of stagnation annual wage increases were as much in excess of rises in the cost of living as in the years of expansion. The main benefit to be derived from the existence of a 'Prices Commission' would be the probability that wage increases would not be passed on to the consumer quite so promptly as they are now.

Yet this is to miss the whole point of the present controversy. Many wage increases are well merited and others, e.g. London bus drivers', long overdue. Some firms in a given industry could certainly pay more than the national award. The trouble is that the unions in industries in which expansion and profitability is not up to average, still expect to keep 'upsides of the Jones' union. Just how is the problem of the almost sacrosanct wages differential between different craft and general unions to be determined, as well as between similar grades of labour in different industries? Price regulation and taxation of 'excess' profits has little to do with this problem.

The proposal to tax 'super' profits has a superficial logic. Yet how is one to distinguish between the lethargic large enterprise and the dynamic smaller firm in the same industry? Such a policy could destroy the remaining vestiges of dynamism that remain in the United Kingdom economy and leave the industrial dinosaurs to eke out an undisturbed existence. Whether it is possible to devise a new profits tax which will discriminate against the inefficient firm and favour the expanding and efficient remains to be seen.

The most conspicuous omission from Neddy's deliberations is any reference to competition. Is nothing to be done about the latest, or earlier, reports from the Monopolies Commission? Or is it that both sides of industry have a vested interest in the maintenance of the variety of restrictive practices designed, on the one hand, to maintain a 'fair' profit to the efficient and inefficient alike, and on the other to safeguard jobs – all at the consuming public's expense?

# Concepts of Cost

by M. J. MEPHAM, B.Sc.(Econ.), A.C.A.  
Senior Lecturer in Accountancy, Slough College

TO some extent the accountant and the economist use a common technical vocabulary and it is widely realized that much confusion exists in the meanings attributed to many of the terms in use. A number of these overlapping words were discussed in the report of the joint committee appointed by the English Institute and the National Institute of Economic and Social Research in 1951,<sup>1</sup> and other attempts at definition and reconciliation have been made by individuals and the accounting bodies. These efforts have been useful, but the problem posed still exists and is still largely ignored by standard textbooks.

Such terms as 'capital' and 'profit' are obvious examples of the confusion. 'Cost', the term discussed in this article, is not so obviously a problem word; the basic idea, that of economic sacrifice is a common one and, as with many other economic and accounting terms, the word is in everyday use in a non-technical sense. Familiarity breeds contempt and the shortness of the word confirms this unfortunate attitude. Cost is a fundamental concept in both disciplines and thus warrants critical attention.

Economics has been defined as 'the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses'. Cost is incurred in making a choice between such 'alternative uses' and thus it is, at the core of this definition and it has received the appropriate attention in economic theory.

The accountant has little in the way of a theory of 'cost', although a considerable part of his time is spent in measuring it. The accountancy techniques of measurement do, however, imply a standpoint and this article will attempt to compare the accountancy concepts with those of the economist.

## Real Cost – An Abandoned Theory

In general the classical economists, before 1870, considered that every economic good had an objective *real cost* which determined the good's value. The cost was often thought of in monetary terms (cost of production theories) but some economists considered that units of crystallized

labour were more appropriate (labour cost theories). These real cost theories were complex and often conflicting but, in general, they attempted to explain price by postulating a causal chain – real cost determines value; value determines price. This chain is basically unsound as the interaction of supply and demand is not adequately taken into account and it is this interaction which determines price. The economist abandoned this concept at the end of the nineteenth century<sup>2</sup> but some accountants continue to hold views on cost which closely resemble the real cost theories. The Institute of Cost and Works Accountants in their *Costing Terminology* (published in 1937 and now superseded) defined cost as:

'the value in terms of money of the efforts, utilities, risks and abstinences which comprise real cost'.

This point will be returned to later.

## Opportunity Cost and its Variance

Modern economic theory regards cost as the sacrifice that is involved in deciding to take one course of action rather than another. A business man can utilize the resources at his disposal in a number of ways; when he decides to use them in one particular manner (which he considers the best) he incurs a cost. The cost is the lost opportunity of using them in the next most preferable manner and such a cost relates to the decision by which it was incurred. Cost is thus no longer regarded as measuring the objective value of a unit of output, the basic idea is now that of a decision resulting in a sacrificed alternative opportunity; the term used to describe this concept is opportunity cost. A business man who has two competing capital projects and only sufficient resources for one will choose perhaps to modernize his transport fleet and garage facilities rather than to install more machines to expand the output of his product. The cost of his decision is the forgone increase in profits from the forgone expansion of production.

The economist uses a number of variants of the

<sup>1</sup> *Some Accounting Terms and Concepts*. (Cambridge University Press, 1951.)

<sup>2</sup> Some economists continue to use the term 'real cost' but radically alter its meaning to that of 'opportunity cost'. Marxian economics does retain a place for a variant of the labour cost version of real cost but its use is more as a tool of political philosophy than as part of a scheme of economic analysis.

cost concept that has just been outlined, but the idea of a displaced value is present in all of them. Social cost is an example; here the displaced alternative is regarded from the community's viewpoint. It is quite possible for the social cost of a decision to exceed the private opportunity cost of the individual decision-taker. The decision to build a factory chimney could be such a case; the smoke and grime might be ignored by the business man but the 'displaced' amenities could be valued by the community highly.

The recent *Report on Roads in England and Wales* contains another example; this points out that the decisions of individuals to travel by private transport in the centre of towns results in imposing costs of congestion on others which may be 'greater than the value of the journey to the individual road user'. Ingenious attempts are currently being made to measure social cost in monetary terms and a readable example of this appeared in an article in *The Listener* of May 23rd last, in which Christopher Foster examined and attempted to quantify the social costs and social benefits of the new Victoria underground.

In the theory of the firm, the economist looks on cost as the current money value of factors of production which will be used if a certain level of output is attained. This is considered the best measure of the displaced opportunity of using the factors elsewhere, since the current market value measures the value of the factors to others desiring to use them elsewhere. The business man (if he is the economic man that the economist assumes him to be) will be particularly interested in the extra cost incurred by deciding to make an additional unit of output or in deciding to hire or buy an additional supply of a factor of production, this is termed 'marginal cost'. Marginal cost holds an important position in economic theory as it is assumed that a business man will expand his output or the use of particular methods whilst the extra benefit gained or income earned exceeds the extra cost incurred. The accountant has adopted this term and has adapted it to his needs.

### Cost in Accountancy

The economist, scrutinizing the business man's behaviour, is interested in the considerations which are involved in planning future business activity and in the decision making involved in following or amending the plans. This means that the economist usually regards cost as the sacrifice incurred when a decision is made rather than as the value of factors of production used in implementing the decision. In contrast, the accountant

has historically been more concerned with recording the results of past business activity and he has thus traditionally regarded cost as an outflow of expenditure which he has to record in an appropriately analysed framework.

Harry Norris has written 'some costs we attach to bits of material, writing them off when the material is sold; others we attach to the calendar and write off according to lapse of time.'<sup>1</sup> Cost is thus regarded as allocated expenditure; costs allocated to a time period can be called period costs and costs related to units of output can be described as product costs.

Accountancy literature deals extensively with the methods of attaching or allocating expenditure and it is evident that the accountant's ideas of cost are greatly influenced by the procedures that he uses to measure it. This has led some economists to regard the accountant's concept as being a composition of certain procedural rules. The psychologist's concept of intelligence has been defined as 'that hypothetical construct which is measured by a properly standardized intelligence test'; similarly accounting cost, some economists would maintain, is the result of the accountant's calculations on cost statements and nothing more than this. We hope to show that this view is erroneous.

### The Limitations of 'Actual' Cost

Equally false is the belief held by some accountants that the 'actual' cost figure that they arrive at by recording historical prime cost and accumulating successive layers of overhead, is a superior type of cost. It is easy to look upon this cost as being an objective measurement opposed to other types which are subjective estimates and opinions. Indeed 'actual' cost in many businesses is used as the basis of pricing and business men and accountants, in such concerns, would tend to think of prices in general as being determined by cost. This viewpoint is very close to the abandoned economic theory of real cost and it has dangerous consequences.

If it is claimed that the 'actual' cost measures, in some sense, the value of a unit it is possible that the figure will be used for unsuitable purposes. The modern, and surely more correct view, is that all cost calculations and concepts must be related to the purpose for which they are required. A quotation from *Developments in Cost Accounting*<sup>2</sup> puts the position clearly:

<sup>1</sup> 'Notes on the Relationship between Economists and Accountants' - *The Economic Journal*, December 1944.

<sup>2</sup> The Institute of Chartered Accountants in England and Wales, published by Gee & Co (Publishers) Limited, 1947.

'a cost can only be a convention; and the expression "an accurate cost" can have meaning only within the particular convention chosen as appropriate to the purpose for which the cost is required. . . . If those whose task it is to prepare costs do so with a different notion as to the use to be made of them from those who in fact make use of them, then the costs may be not only useless but positively harmful.'

An accounting system might be designed to produce the following type of cost statement:

COST STATEMENT COMPONENT X.123				
				<i>d</i>
Direct material	..	..	..	12
„ labour	..	..	..	5
„ expense	..	..	..	3
Prime cost	..	..	..	20
Manufacturing overhead	..			5 (percentage of direct labour)
Administrative overhead	..			3 (percentage of prime cost)
Selling and distributive overhead				2 (percentage of prime cost)
				<u>30d</u>

Such a statement would have its uses but the 'actual' cost of 30d could not be used without adjustment for many purposes:

- (i) It would not be suitable in valuing stock for profit measurement purposes (because of the inclusion of selling overhead).
- (ii) It would be of limited use in deciding whether to make the component internally or to buy it outside, particularly is this so if surplus manufacturing capacity is present.
- (iii) For forward planning purposes the cost would be of doubtful utility.
- (iv) For price fixing purposes the usefulness of the figure would depend on circumstances and competitive conditions.
- (v) For cost control purposes little value would be obtained from using this 'actual' figure unless a standard is set and the controllable and uncontrollable elements in the cost are distinguished.

### Costs with a Purpose

If it is granted that cost calculations must be related to the ends for which they are required then it is useful to look at these ends. Historically, the accountant's concepts were developed empirically for fairly limited purposes; period costs were needed for the ascertainment of profit and pro-

duct costs were of assistance in price fixing. The concepts are appropriate for these purposes (although capable of considerable improvement) but, as shown above, they are not necessarily suitable for other purposes.

More recently new ideas and techniques have been developed for control purposes and to assist management in forward planning. Budgets (forward period costs) and standard costs (forward product costs) are the new tools which have resulted. The economist's concepts of opportunity cost and marginal cost have also been borrowed and adapted for circumstances where costs are required as an aid to decision making since the economic theories are geared to this purpose.

It must be admitted that it is not universally agreed that the accounting methods of recording and calculating cost are suitable for the purposes mentioned. Economists, in particular, have often looked askance at some of the procedures, particularly the ritualistic process of spreading indirect costs on 'equitable' bases over various products. Such criticisms are useful and improvements can undoubtedly be made in existing methods. Business men, however, do use the accountant's figures and presumably find them useful, whereas they would often find it impossible to use the economist's theories.

It is a weakness of the economic theory of standard textbooks that their simplified model of the sole trader entrepreneur, manufacturing a single type of product and with a complete knowledge of his cost and revenue curves, is far from the truth. Ideas and techniques which business men actually use have not in some cases percolated through into established economic theory. The idea of recovering cost by a suitable pricing policy is often used by business men and yet it is ignored by the economist although his alternative of equating marginal cost and marginal revenue is, in most cases, impracticable and unrealistic. The techniques of standard costing and budgetary control have similarly not, as yet, been assimilated into economic theory.

### Costs as Expenditure

The accountant invariably thinks of cost in monetary terms. This is not in itself a fundamental difference between accounting practice and economic theory. Economists are often concerned with the goods and services behind the money symbolism, but for ease of expression and as a first approximation they often describe their theories in monetary terms, especially when they speak of cost, since business men invariably regard



cost in this way. The equation of cost with expenditure<sup>1</sup> has, however, serious defects.

By recording actual money flows the accountant tacitly ignores changes in the value of money whereas the economist insists on using a stable measuring rod. The accountant regards the cost of a factor of production as the amount actually expended in purchasing the factor (there are various methods of estimating this when it is not apparent, e.g. FIFO, LIFO and various averages). The economist, however, is concerned with the current money value of the factors to be used since this measures the sacrifice incurred by the decision to use the factors.

Inflation has emphasized the unsatisfactory nature of the historical cost rule and many attempts to modify it have been made but unfortunately all such suggestions increase the influence of subjective opinion on the cost calculations. So far the problem has not been resolved. The emphasis on monetary outlay has other unfortunate results. The use of some factors of production does not result in such an outlay and it is not, therefore, regarded as a cost by the accountant; examples are interest on capital, entrepreneur's managerial salary and 'normal' profit. These, for the economist, are costs, for if the factors were used elsewhere they would produce income for the owner and the income forgone by deciding to use them in the business is a business cost.

The inclusion of such imputed costs is very necessary in certain circumstances, thus in deciding between two alternative schemes, one entailing much heavier capital expenditure than the other, it would be appropriate to include interest on the capital locked up, in any product costs prepared. When social costs are considered it is also important not to restrict cost to expenditure figures. A recent leading article in *The Guardian* (October 25th, 1963, issue) is pertinent. In a discussion on the methods of assessing whether a railway line should be closed down or not, the following points were made:

'Annual receipts from a branch line, set against the direct costs of keeping it open, may seem to make a clear case for judging its economic value to the railway system. But all that these figures really show is the profitability (mostly the unprofitability) of that line in existing use. For years the railway its services on it may have been the wrong sort of

services, and it may be that different services would attract many more passengers. . . . Then the figures make no attempt to assess the incidental value of railway transport to a community. For instance, would the closing of a railway line rob a village of its chance of getting a new industry in the vicinity?'

This extract shows the importance of social costs in such a situation. Can such costs be measured? The answer is not yet clear but attempts to do so are continuing and the question will presumably become 'more and more important as the concept of planning develops'.

### **Rapprochement**

It has been emphasized in the foregoing that there are necessarily many cost ideas in existence because there are many purposes for which costs are required. This is another reason for the differences between the accountant's and the economist's approach. The economist has developed ideas designed to assist his hypothetical economic business man to maximize his profits. These enable the economist to discuss and criticize the economic behaviour of human business men (essentially fallible and often irrational) and the basic ideas have been adapted to assist managers in decision making.

The accountant traditionally has produced the *post mortems* required by his custodial function and his costs have been orientated accordingly. With the development of management accounting techniques, new ideas have arisen. Both disciplines have discarded their earlier ideas of an 'actual'-'real' cost as the natural scientists had to reject their concepts of ether and phlogiston and for similar reasons. In general it seems true to state that after diverging from the 'actual'-'real' cost theory in different directions there has recently been a tendency towards a synthesis of the various concepts.

Economists have undertaken a considerable amount of empirical research using accounting data and accountants have, in the recent emphasis on aiding management, become more interested in the 'alternative uses' to which the firms 'scarce means' can be put; they have therefore found it useful to borrow some of the economist's ideas. The latest edition of a standard costing textbook<sup>2</sup> now includes a chapter on 'Opportunity costing'. It seems fairly certain that this trend will continue and it is certainly desirable that it should.

<sup>1</sup> The current definition of 'cost' in The Institute of Cost and Works Accountants publication, *Terminology of Cost Accountancy* is 'the amount of expenditure incurred on a given thing'.

<sup>2</sup> *Cost Accounts* (eighth edition), by W. W. Bigg, F.C.A. Macdonald & Evans Ltd, London.



# Stop Eating the Seed Corn!

by JACK CLAYTON, F.C.A.

**J**UST before Christmas, I received two documents reviewing the immediate economic outlook: one caused me some dismay, but hope was rekindled by the other. The former was Mr Maudling's five-year plan for adding another £2,000 million or thereabouts per annum to the enormous rate of Government spending<sup>1</sup>; the latter the National Productivity Year Paper entitled 'Capital Investment in Relation to Increased Productivity' by Mr Lawrence W. Robson, F.C.A., F.C.W.A., an abridged version of which appeared in *The Accountant* of December 21st. Mr Robson, his sponsors and collaborators are to be congratulated on this timely reminder that a nation's 'rate of rise of living standards is closely related to its available capital resources'.

While Mr Robson's pioneering work in the realm of productivity is well known, perhaps I may be permitted a personal reminiscence. It is nearly twenty years since Mr Robson presided over the London and District Society of Chartered Accountants and recruited a talented array of speakers, including the late Sir George Schuster, whose address on 'The Functions of Accountants in the Coming Era' was reported in *The Accountant* of June 23rd, 1945.

## Eternal Vigilance . . .

Sir George's exhortation was simple and direct:

'Government, whatever party may be in power, will have to assume conscious direction of our economic life. . . . We don't want to leave attention to the public interest entirely to a State authority. We ought rather to work together in a voluntary co-ordinated effort . . . it will be disastrous if we leave the question of national efficiency entirely to Government officials or theoretical economists.'

'I want to see practical business people taking an interest in that aspect of the matter . . . I want to look forward to accountants developing their faculties in the course of their work to bring a general contribution towards handling the problems which will face us in the field of public policy, and, secondly, being required in new ways as expert advisers to business firms which will have the same point of view.'

Under the stimulus of Sir George's cheerful iconoclasm I found myself on my feet with a statement of faith:

'I believe that reflection on our practical everyday experiences would bring many current economic theories into question. For example, in theories of inflation . . . too much emphasis is placed on money and much too little on the question of replacement of capital assets, which I regard as a primary cause of inflation having disquieting implications for the immediate future. . . .

'Our future well-being rests upon the efficiency and quality of the production of our industries. There will still be occasion for the bark of the watchdog, but more urgent will be the nose of the bloodhound tracking down inefficiency. . . . This is the contribution the industrial accountant can make to the fuller and happier life we all hope for.'

The accountancy profession in general, and the English Institute in particular, have made immense progressive strides during the past two decades – and none has made a greater contribution than Mr Robson on the lines suggested by Sir George.

But let us now face up to the simple fact: neither individually nor collectively have we done enough – and Mr Robson's stimulating paper is a sharp reminder to that effect.

## Is Inflation Inevitable?

With his customary modesty, Mr Robson stated that the purpose of his paper was to provoke further discussion and thought. He will not, therefore, take it amiss if I challenge one or two of his assumptions – although I find myself in broad agreement with his exemplary statement of 'Conclusions and suggestions'. My main concern is with Mr Robson's assumption:

'It is not unlikely that inflation on a world scale will continue as a price to be paid for rapid industrial growth, but it is hoped that methods will be found of ameliorating its effects on those sections of the community which suffer rather than benefit from its consequences.'

I have recently conducted a research of some depth into the thousand-year history of the £ – the current value of Alfred the Great's £ being about 2d. In moments of cynicism and despair I find it difficult to avoid the conclusion of M J. de Blank, in the winter 1951 issue of *Progress*.

'Monetary history is 2,500 years old, and what Gibbon said of history in general, viz. that it is little more than a register of the crimes, follies and

<sup>1</sup> *Public Expenditure in 1963–64 and 1967–68* (Cmd 2235).

misfortunes of mankind, fits monetary history no less. . . . Money changes in purchasing power continuously and, though interrupted by temporary contrary movements, always downwards. In the long run the debtor always laughs at the creditor.'

Mr Robson and Monsieur de Blank, alike, appear to regard inflation as a natural calamity and that one can only render aid and succour to its victims. But this seems to me a too fatalistic approach. On the one hand Government, by its post-war spending spree, seems to be the only true begetter of inflation; while on the other, Government is the arch-debtor in civil society and therefore the residual beneficiary of inflation. Hence the importance of Sir George Schuster's admonition 'don't leave attention to the public interest entirely to a State authority'.

### Government's Post-war Spending Spree

'Planning' was a dirty word in the English language long before the late Joseph Stalin inaugurated his first five-year plan. Wordsworth 'had a word for it':

'The good old rule . . . the simple plan.  
'That they should take who have the power,  
And they should keep who can.'

History will, I trust, record Mr Selwyn Lloyd as the Minister – and a Conservative one! – who restored the word 'plan' to its proper place in the English language; and his abortive attempt to create a new theory of inflation – the 'guiding light' of a  $3\frac{1}{2}$  per cent per annum increase of incomes – will soon be forgotten. The mentor of the modern British planners was, of course, the late Lord Keynes. But as Lord Beveridge said in his *Full Employment in a Free Society* (page 92), Keynes's concern was not with incomes, but with spending:

'A new era of economic theorizing about employment and unemployment was inaugurated by the publication in 1936 of *The General Theory of Employment, Interest and Money*, by J. M. Keynes. . . . The gist of the new approach can be put shortly . . . employment depends on spending. . . .'

Later in his book (page 395), Lord Beveridge provided a table demonstrating that:

'Ever since the inception of the National Debt in 1688, money was borrowed in time of war and gradually repaid during periods of peace. . . .'

The two decades since the end of the Second World War represent a new era in public spending, in which the National Debt, which stood at some £21,400 million at March 1946,

has since been increased by some £9,000 million to approximately £30,400 million today.

There are many esoteric theories of inflation, and I have no wish to evolve a new one – indeed I was firmly 'warned-off' such a sterile venture by the introduction to one of the classic economic works of the century:

'There is room for two or three economic theorists in each generation, not more. Only men of transcendental powers of reasoning can be candidates for those positions. . . . The rest of us should be economic scientists, content steadily to lay stone on stone in building the structure of ordered knowledge.'<sup>1</sup>

### Inflation: Theory v. Fact

The new-fangled and popular theory of the day was Mr Selwyn Lloyd's 'incomes are out-distancing growth', with its panacea of the 'guiding light', i.e. keeping down incomes, in complete disregard of the simple statement of Sir Roy Harrod, some two years ago, to the effect that if you want growth then you must set out deliberately to increase all the elements of the gross national product, i.e. income from employment, self-employment, profits, etc. This, indeed, should be evident from a glance at Table I of the 1963 Blue Book on *National Income and Expenditure*.

I was sorry to note that Mr Robson appears to subscribe to the new-fangled 'incomes' theory of inflation. My own predilection is for an older one:

'Annual income twenty pounds, annual expenditure nineteen nineteen six, result happiness. Annual income twenty pounds, annual expenditure twenty pound ought and six, result misery' (Mr Micawber),

or, as Sir Ralph Hawtrey put the issue more succinctly to the Radcliffe Committee: 'Inflation is caused by excess spending'.

The evidence is, I suggest, in the accompanying tables. Table I shows that since the war the gross national product has been applied decreasingly to consumers' expenditure: in the immediate post-war years of austerity the balance was mopped up by additional taxation, but saving habits have reasserted themselves during the last decade.

Table II shows that, as compared with 1938, the private sector has reduced its relative spending (both capital and revenue together) by 11 per

<sup>1</sup> Colin Clark – *The Conditions of Economic Progress* (page viii).

cent; and public expenditure has increased relatively by 40 per cent [*sic*] – who's calling the kettle black?

### Repudiation of National Debt

The clearest evidence of all – as to the only begetter of post-war inflation – is the £9,000 million increase in the National Debt. Table III is an analysis of the unhappy consequences – so far as the holders of the debt are concerned.

TABLE I

#### PERSONAL INCOME AND EXPENDITURE—1938–62

	Percentages of gross national product		
	1938	1951	1962
Consumers' expenditure (At market prices) .. .. .	84.9	78.7	74.1
Taxes on income and National Insurance contributions ..	8.1	12.7	14.7
Saving, before providing for depreciation and stock appreciation .. .. .	5.1	1.0	6.8
Total personal incomes .. ..	98.1	92.4	95.6
Gross national product – £000 million .. .. .	5.2	12.9	24.0

Source, 1963 Blue Book

TABLE II

#### NATIONAL EXPENDITURE – 1938–62

(at factor cost after eliminating subsidies and loans on expenditure)

	Percentages of gross national product		
	1938	1951	1962
Private expenditure:			
Consumers' expenditure ..	73.6	67.0	63.0
Capital expenditure and physical increase in stocks ..	8.8	10.3	10.4
Total .. .. .	82.4	77.3	73.4
Public expenditure:			
Public authorities' current expenditure on goods and services .. .. .	14.9	18.4	19.0
Capital expenditure and physical increase in stocks ..	3.9	7.7	7.4
Total .. .. .	18.8	26.1	26.4
Export surplus or deficit ..	-1.2	-3.4	-0.2

Source, 1963 Blue Book

TABLE III  
THE NATIONAL DEBT

	1938	1946	1951	1963
Balance at March 31st (£000 million) ..	8.1	21.4	25.8	28.7
Value of £(1914=20s)	12s 10d	7s 7d	5s 9d	4s 2d
Average value of £ ..		1946–51	1951–63	1946–63
Multipliers:		6s 8d	5s	
for opening balance ..		132	138	182
for net additions ..		116	115	
National debt-actual:		£000 million	£000 million	£000 million
Opening balances ..		21.4	25.8	21.4
Net additions ..		4.4	2.9	7.3
Closing balances ..		25.8	28.7	28.7
National debt – at original purchasing power:				
Opening balances ..		28.2	36.4	38.9
Net additions ..		5.1	3.3	8.4
		33.3	39.7	47.3
Loss of purchasing power (in current £s) ..		7.5	12.2	18.6

Source, *Annual Abstract of Statistics* 1963, and *Whitaker's Almanac* 1961.

In such a context, the 'five-year plan recently tabled by Mr Maudling for adding a further £2,000 million per annum or thereabouts to the already swollen total of public expenditure (in sharp contrast to the newly-installed President Johnson's immediate effort to reduce public expenditure in the U.S.A.), gives cause for alarm as to the stability of the £ in the foreseeable future.

At today's level of output, £2,000 million represents the output of some two million employees. Even if the somewhat optimistic predictions of the National Economic Development Council (as regards a 4 per cent per annum growth and an increase of some one million in the working population) were realized, the 'five-year plan' envisages a diversion of some 850,000 men – presumably from the basic agriculture, mining and manufacturing sphere. This can only speed up the alarming employment drift from production to distribution, professional and Government services – which in the last three years alone has reduced employment in the basic industries by 280,000 and increased 'drones' by nearly half a million.

### Victims of Inflation

Mr Robson expressed the hope 'that methods will be found of ameliorating [inflation's] effect on those sections of the community that suffer rather than benefit from inflation'. I believe he had in mind, particularly, the holders of the

National Debt, but for the benefit of my practising colleagues I would like, parenthetically, to refer to the effect of inflation on professional incomes.

Table II of the 1963 Blue book on *National Income and Expenditure* demonstrates that professional incomes (and the comprehensive group described as 'Income from self-employment') have been squeezed between the upper and nether millstones of inflation. The relative figures for professional incomes, as derived from Tables I and II in the book, expressed as percentages of the gross national product, have declined as follows: 1938, 2.3 per cent; 1946, 2 per cent; 1951, 1.8 per cent; 1962, 1.5 per cent. The short answer seems to be that nobody loves us – hence the relative decline of some 35 per cent in professional incomes. The simple solution may be to have the courage substantially to increase fees, as I suggested in my paper to the Institute's 1953 summer course. Alternatively, although I appreciate that the Statute of Limitations prevents the reopening of all previous years, it would, I suggest, be an interesting experiment in public relations if the Institute committee concerned with the small practitioner were to present to the Treasury a bill for the accountants' share of the sum of £1,000 million or thereabouts of professional incomes that during the last six years alone has been sucked into the maws of the Treasury by post-war inflation.

This is not the place to analyse all the benefits and evils of inflation. Let it suffice to deny the popular misconception that inflation is a calamity affecting all groups alike. The very reverse is true. The plain fact is that some persons benefit enormously, and others suffer correspondingly – including, unhappily, many retired persons, eking out their declining years on incomes which shrink more rapidly than their ebbing lives.

The simplest example of the beneficiaries and victims of inflation is depicted by the analysis of the National Debt in Table III (on page 67).

Perhaps, however, a homely simile will point the moral. It is not long since the popular Press was absorbed in the 'man-hunt' for the evil men who one day stopped a mail-train and robbed it of some £2½ million. But that is less than the amount of purchasing power of which the holders of the National Debt have been expropriated – by reason of inflation caused by the spending spree of post-war Governments – not on one day alone, *but in respect of each and every single day since the end of the Second World War.*

### A Programme for 'Neddy'

I share to the full Mr Robson's faith in the ability of 'Neddy' to do – if it so determines – what Sir George Schuster advised, viz., 'to work together in a voluntary co-ordinated effort'. I have studied with care its plan for a 4 per cent growth as well as the report of its Director-General drawing attention, *inter alia*, to the decline from 21 per cent in 1954 to 15 per cent in 1962 in the U.K. share of world exports of manufactured goods. The latest quarterly review of national income trends shows a continuing decline in the development of manufacturing capital and the Government's five-year spending plan leaves little scope for arresting such decline.

Neddy's hope – it is hardly a plan – is set forth, at page sixty of its first report, and includes the following:

"There are undoubtedly difficult problems to be tackled, the solution of which will call for changes in policies, arrangements and attitudes. A vital element will be a determination to succeed on the part of Government, management and the trade unions."

But what steps has Neddy taken to implement its hopes? My guess is that its first report had a much lower sale than the Denning Report – despite the immense propaganda machine which Neddy could bring into play if it so resolved.

Mr Robson has provided a detailed set of concrete suggestions for achieving maximum productivity, i.e. a rate of growth that, if fully implemented, could make possible increases of real incomes to the whole population without increasing prices.

### A Fuller and Happier Life

What, above all, is required is a new climate of opinion which Neddy – if it so desired – could readily bring about – a message of hope that by our combined efforts we can achieve a fuller and happier life. The simplest way to halt inflation – as Lord Robens said last week – is to stop prices rising. That simple message needs to be echoed in every boardroom and every workshop in the land – and indeed, in Downing Street itself? Let us encourage the growth of incomes, without which – as Sir Roy Harrod pointed out some two years ago – growth of the gross national product is just impossible.

In primitive societies even the children were taught at their mothers' knees 'not to eat the seed corn lest the family perish'. What about that

as a simple message for Downing Street – whoever its occupants in the coming months?

Having referred to Gibbon's cynicism, let me conclude with his appreciation of the foundation of the greatness of Rome:

'Honour, as well as virtue, was the principle of the Republic; the ambitious citizen laboured to deserve the solemn glories of a triumph; and the ardour of Roman youth was kindled into active

emulation, as often as they beheld the domestic images of their ancestors. The temperate struggles of the patricians and the plebians had finally established the firm and equal balance of the constitution; which united the freedom of popular assemblies with the authority and wisdom of a senate, and the executive powers of a regal magistrature.'

Would that Neddy could inspire our own intrepid youth to such fervour.

## Tax Topics

### TAXES FOR EVER?

THE recent White Paper on public expenditure emphasizes the growing cost of public services. As society becomes increasingly affluent and household incomes provide a margin for the 'rainy day', is the time not approaching when State provision of welfare services could not be diminished? In their place the individual could provide, largely through insurance and his own personal saving, for services such as sickness benefit, housing accommodation, etc.

A recent 'Take Home Book' by Arthur Seldon (published by Newman Neame Ltd) entitled *Put and Take in Welfare* raises the question whether the Welfare State as at present constituted really reflects the wishes of the tax-paying public. According to official figures, Mr Seldon concludes that only in respect of the very low and very high incomes is there a sizeable difference between the taxes paid and the benefits received. In other words, most of us get back what we put in.

### ANNUAL REPORT

THE 1962 annual report of the International Bureau of Fiscal Documentation is a most useful and informative document. It reviews the work done by the European Economic Community taxation commission on tax harmonization, as well as outlining recent developments in fiscal law throughout the world. Among points of interest, there is reference to the new tax code in Belgium (previously noted in this journal) whereby the schedular system of taxes (i.e. separate taxes on different categories of income) has been replaced by a system similar to the British and those in other Common Market countries, of taxing income in the aggregate.

Major changes are also planned in respect of the Belgian turnover tax. The existing system is a cumulative multi-stage tax, although efforts have been made to avoid the cascade effects. It is proposed to introduce the 'value added' tax as levied in France in accordance with the recommendations of the

E.E.C. fiscal commission. Denmark, it seems, has introduced a general turnover tax at a rate of 9 per cent on the wholesale price.

The I.B.F.D. report notes that the legislative process in fiscal matters in Holland takes a long time. Certain tax proposals were introduced into the Netherlands Parliament in December 1958. In mid-1960 a number of amendments were submitted and four years after submission discussions are still in progress between the Government and interested parties. One interesting proposed innovation is a dual-rate corporation tax in which, as in Germany, distributed profits attract a lower rate of tax than undistributed, although this advantage is slightly offset by a higher rate of tax on dividends.

### LOCAL TAXES

WHILE it is seldom any consolation to be told that there are others in a worse plight, it is equally true that it is preferable to have company in one's misery. The recent controversy over the rating system is not apparently restricted to England and Wales. Canadian research reveals that while there is unanimity on the fact that the provinces and municipalities have totally inadequate revenue to meet their rising costs, there is a corresponding degree of divergence of opinion as to the way in which this problem should be resolved. There is, in fact, according to the Canadian Tax Foundation's researches, a remarkable range of municipal and provincial taxes, not all of them either particularly equitable or remunerative. For example, in Fredericton and Charlottetown the percentage of the real property assessment ranges from 25 per cent on manufacturers to 50 per cent on gasoline stations; 80 per cent on department stores; and 100 per cent on mail order offices. In Montreal, there is a sliding scale of fixed charges in respect of licensed premises, according to the annual rental value. In the same city, banks are taxed according to the amount of paid up capital and the number of branches.

### POLL TAXES

ONE proposal which has evoked a sympathetic response from householders in England and Wales has been the suggestion of a form of poll tax, in respect of lodgers or wage-earning members of a

large household, who enjoy the benefits of local services without apparently directly contributing to their maintenance. A number of Canadian provinces and municipalities employ such a tax, although it is only in the Maritime Provinces that it yields even as much as 8 per cent of local revenue. The tax is usually described as a 'service' tax or municipal service fee; it applies in some cases only to adult males, and in other cases to members of both sexes who do not pay any real property taxes similar to the United Kingdom rate. Among the exemptions in New Brunswick are paupers, clergymen, and married women not gainfully occupied whose husbands are liable to poll tax. In Quebec, residents who are not liable to any other municipal tax pay this charge. The tax has been justified by one tax commissioner on the grounds that it brought home to every adult his obligation to contribute something to the support of local government. It has also been advocated as a suitable tax for cities surrounded by dormitory areas in respect of the total employed population within its precincts each day. For all its obvious disadvantages, it is noteworthy that some Canadian opinion favours the extension of this impost.

### PROVING ASSESSMENTS

ACCOUNTANTS will be aware of the methods used by Inspectors of Taxes to compel an unco-operative citizen to produce his return or statement of accounts in respect of his claim that the inspector's assessment is too high. A recent case in the High Court illustrates the use of a similar technique in respect of rating. The valuation of licensed premises, like that of other hereditaments, is determined by the rent that the property could attract from a tenant. Clearly in the case of licensed premises that rent is dependent upon the sales, but before the war it seems that very often the only time figures of turnover were produced was when a tied house appealed against the valuation officer's proposal.

In a recent case, the valuation officer requested figures showing a breakdown of the takings over the past three years, and the owners of the house contested his right to do so. The judge rejected the company's plea and he seemed undoubtedly to have been influenced very much by the experience of a leading valuer who gave evidence of his experience since 1952 in London in valuing licensed premises. When the latter did the 1956 valuation, he had information relating to the takings of less than 20 per cent of the various tied houses, with the result that a number were over-assessed, even more were under-assessed, and in only about one-quarter was his assessment correct. The justification for his proposals was provided by the production of the brewers' figures on the occasion of the appeal. Not unreasonably, with this experience in mind, the learned judge thought that it was eminently reasonable that valuers were entitled to request such information as turnover.

### TAX LOSSES IN HOLLAND

MOST readers of this journal will recall the spate of transactions some years ago, when capital issue controls were still in existence, aimed at acquiring 'shell' companies, particularly those with substantial liquid resources or with large unrelieved losses. It seems that in Holland, too, they have been experiencing similar problems. A recent issue of *European Taxation* reports that the Dutch Supreme Court has given judgment in a case where a tax loss company was merged with a prospering undertaking to the effect that the loss company can be brought to life again although it has ceased to trade.

Apparently in Holland not only may losses be carried forward six years, but losses incurred during the first six years of the life of a new business may be carried forward indefinitely. The secession of Indonesia some years ago produced a large number of companies which sustained heavy losses, and these rapidly acquired value as 'shell' companies. The price was between 5 and 10 per cent of the amount of unrelieved losses plus the value of any assets. Not surprisingly, there was a ready demand for such companies from other companies enjoying boom profits. A further attraction was the incidental saving of the 2½ per cent registration charge on the issue of stock.

The Dutch tax administration took steps to counter these practices in March 1962. Many tax experts believed that the legislation would prove unenforceable and it seems that they may well be right. In June this year the Supreme Court recognized such a merger between a tax loss 'shell' and a trading company for tax purposes. Obviously, the last has not been heard of this matter.

### TAX OR CONTROL

THE controversy surrounding the American Government's proposal to introduce an interest equalization tax on overseas investment continues unabated. The case for the tax is that capital outflows in the second quarter of 1963 reached an annual rate of over \$4,000 million, compared with a figure of about one-quarter of this sum during the period 1950-60. As readers will be aware, the American balance of payments problem is closely related to this impressive capital outflow. The tax is designed in effect to reduce the attractions of overseas investment for American investors and it is noticeable that Mr Roosa, Under-Secretary at the United States Treasury, emphasized the conspicuous advantage of the tax over fiscal controls such as a capital issues committee. Not merely did such a committee, it was argued, represent a bureaucratic control, but it would not have fitted in with American anti-trust laws. It will be interesting to see whether a future British Government will contemplate such a method of restraining capital outflows rather than direct controls.

# Weekly Notes

## RETIREMENT OF MR L. F. CHEYNEY

AS previously referred to in our issue of August 24th last, Mr L. F. Cheyney, O.B.E., F.S.A.A., F.I.M.T.A., Secretary of The Institute of Municipal Treasurers and Accountants, retires on Monday next.



Mr L. F. Cheyney

Born in 1901 and admitted to membership of The Institute of Municipal Treasurers and Accountants in 1928, Mr Cheyney commenced his professional career in local government in 1916 in the borough accountant's department of Reading County Council, and in 1926 took up a similar position

with Southport Borough. Three years later he was appointed deputy borough treasurer of Watford, and in 1930 deputy borough treasurer of Birkenhead. In 1937 he was made borough treasurer of Swindon, a post he held for ten years, before being appointed chief financial officer of Hemel Hempstead New Town Development Corporation. He became Secretary of the Institute on July 1st, 1948.

Mr Cheyney served as a member of the organizing committee of the International Congress of Accountants held in London in 1952, and he represented The Institute of Municipal Treasurers and Accountants at the two subsequent International Congresses held in Amsterdam in 1957 and in New York in 1962.

Formerly financial adviser to the Association of Municipal Corporations for non-county borough matters, Mr Cheyney is a member of the local government overseas advisory panel of the Department of Technical Co-operation; St Birinus Hospital Management Committee (Oxford Regional Hospital Board), and a United Kingdom member of the International Statistical Institute. Mr Cheyney was admitted to membership of the Society of Incorporated Accountants in 1927 and was awarded the O.B.E. in the 1961 Birthday Honours List.

As already announced, Mr Maurice F. Stonefrost, A.I.M.T.A., D.P.A., is to be the new Secretary.

## FIRST OF THE BANK CHAIRMEN

THE first bank chairmen's reviews to become available this year are those from Martins Bank Ltd and from Barclays Bank Ltd. Sir John Nicholson, of Martins, deals with the growing com-

petition for deposits and the need for the Clearing Banks to go into the open market to attract funds. Today he says there are several alternative depositories for cash than the banks, such as National Savings and the building societies. He also thinks that it is time to abolish the 2d tax on cheques. This he thinks would persuade more people to use cheque books and so reduce the need to move large sums of money around the country. This would be a particularly timely move now that wages can be paid by cheque following the new law passed in March 1963.

Mr John Thomson, of Barclays Bank, is also concerned with the question of attracting money from the public, emphasizing in his case the need to attract higher time deposits. He does not dismiss the possibility of paying more for such funds, that is to raise the rate paid on deposits, and they would do it as soon as circumstances justified it. Both chairmen point out that the rate of growth of deposits has not kept pace with the rate of growth of the national income. It will be interesting to see if this question of increased competition is dealt with by the other chairmen in due course.

## INCREASE IN CAPITAL EXPENDITURE EXPECTED

THE capital expenditure of the manufacturing, distributive and service industries, taken together, is now expected to be about 10 per cent higher in 1964 than in 1963, according to the forecasts supplied during November and December last year by companies contributing to the Board of Trade investment intentions inquiry. This expected increase is significantly higher than the increase (of rather less than 5 per cent) estimated from forecasts provided by companies in the summer of 1963. The upward revision between the summer and the end of 1963 in the expenditure intentions of private industry and business for 1964, reflects a greater degree of confidence not only among manufacturers but also among companies in the distributive and service industries.

These latest estimates show that the decline in industry's capital expenditure which began in the middle of 1961 has now come to an end and that expenditure is beginning to rise. It would seem that expenditure is likely to rise rapidly during most of this year.

Capital expenditure by manufacturing industry during 1964 is expected to be 8 per cent higher than in 1963, a rise substantially greater than that forecast last summer. The metal manufacturing industry (mainly iron and steel) continues to expect to spend considerably less in 1964 than in 1963, as also does the vehicles industry, but nearly all other industry groups within the total are likely to show higher expenditures in 1964 than in 1963 - on average the rise expected is about 15 per cent. The increase anticipated for manufacturing industry as a whole is not so marked as between 1959 and 1960 when the last



upturn in capital expenditure began. On that occasion, however, the upturn owed much of its strength to the heavy expenditure programmes of the metal manufacturing and vehicle industries.

For the distributive and service industries a rise of more than 10 per cent in capital expenditure between 1963 and 1964 is forecast, as compared with the more modest increase estimated from the companies' forecasts supplied last summer. This change affects most of the industries in this group all of which anticipate spending more in 1964 than in 1963. In the case of the shipping industry, whose capital expenditure has been declining since 1959, a sizeable increase is now likely to occur between 1963 and 1964 – a change probably due to the operation of the Government Credit Scheme.

Contributing companies also gave, during November and December 1963, estimates of their expected capital expenditure in 1965. Looking so far ahead was an innovation; hitherto forecasts of a future year's expenditure have been collected, at the earliest, in the summer of the previous year. The response from industry and business was excellent and most of the companies contributing regularly to the inquiry were able to provide forecasts of their expenditure in 1965. These forecasts are, of course, very provisional, but they suggest that both the manufacturing and the distributive and service industries are intending some further expansion in their capital expenditure in 1965, beyond that already expected this year.

### MERGERS AMONG THE UNIONS

**T**HERE are now reports that further efforts are to be made by the Boilermakers' Society to bring about further mergers among the trade unions. It is only a few months since the Boilermakers' Society merged with the Shipwrights to form the Amalgamated Society of Boilermakers, Shipwrights, Blacksmiths and Structural Workers. The hope is that this amalgamation will reduce the number of demarcation disputes in the shipbuilding industry. In the short run this may be a premature expectation since each section retains its independence.

Mr Ted Hill, the President of the Boilermakers, has only two years to go to retirement and is anxious to bring about a strengthening of his union before he goes. He has the classic case before him of the formation of the Transport and General Workers' Union by Ernest Bevin to show what economic and political power a group of unions can muster when they are united.

The transport workers have their own sectional rivalries but on major issues they present a united front and it may be that Mr Hill, in stressing the advantages of retained independence within one big union for those who join up, is taking the long view. Approaches have been made to four other unions to join the Boilermakers and however independent each section might be for a time (with consequent difficulty over demarcation disputes), in the long run

amalgamation might stress common rather than disparate interests and the industries concerned might consequently benefit.

### HIGHER IMPORT BILL

**E**

The terms of trade also moved slightly against the United Kingdom in November. Compared with the month before, the terms of trade, that is price of exports compared with the price of imports, fell by 1 per cent owing to slightly higher import prices. Some of this was due to continuing high prices for sugar but prices of imported materials and manufactured goods were also higher. When the January figures eventually become available they will show the effect of the strike and close-down at the Steel Company of Wales at Port Talbot, for steel users have been going abroad for supplies on an increasing scale.

So far as exports are concerned, in the three months to the end of November these were down slightly on a volume basis owing to a drop in exports of non-manufactured goods. Exports of manufactured goods continued to increase and these account for about 85 per cent of British exports. On balance, therefore, the export-import position is still not moving significantly unfavourably for the balance of payments.

### NO JOY FOR TRIDENT

**H**OPES had been set high that the Trident airliner made by the Hawker Siddeley Group would obtain the contract from Japan Air Lines and All Nippon Airways. In the event, the outcome of the sales effort has not lived up to the advance publicity. Subject to Government approval, Japan Air Lines is ordering six Boeing 727s and All Nippon is ordering three.

It would seem that the United States company's immense prestige as a builder of jet aircraft, its amended financing offer and the proximity of the company's works at Seattle across the Pacific from Japan, has swung the orders in that direction.

This must be a bitter disappointment for the British company which has struggled hard for a success in the Far East, knowing that the decision of the Japanese air lines may be critical for other airlines operating in that area. What one satisfied customer does today another may do tomorrow and even before Japan has time to be satisfied, the thorough investigation which the Japanese have carried out on both types of aircraft will be taken by other potential buyers as a guide at least to some extent for their own decisions on new jets. The Trident will soon



be operating in Europe for British European Airways and this will be more useful from a sales point of view than demonstration flights, but Lufthansa in Germany has already opted for the 727 so competition in Europe is also likely to intensify.

### INSURANCE IN 1963

THE insurance companies will be glad to forget 1963. Rising fire claims at home and abroad, heavy weather claims in the winter of 1962-63 and poor motor underwriting experience will affect the results for the year. The second half of the year was, in general, much better than the first and therefore prospects for 1964 are fairly encouraging.

The fire wastage bill in the U.K. in 1963 is expected to be about £65.5 million – £10 million more than the 1962 record level. On the other hand hurricane losses in the United States were at a low level. In the U.K. the level of motor and burglary claims continues to cause disquiet. Higher premium rates on motor-cars and higher amounts paid by householders for storm and burst pipe damage before insurance is paid are likely to take some time to work out on premiums. In Europe competition is keen and fire insurance still lacks enough domestic policy holders to give a good balance to business, while in the United States fire losses have increased and motor insurance has produced poor results.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 207

IS it unfair comment to suggest that the accountant who stays at his desk, his papers the target of his attention, is not fulfilling his duties properly? That only when out on the factory floor, in the stockrooms or among the staff, is he doing the job he's paid for?

I remember a time some years ago when our shirt factory business was booming, orders piling up and profits increasing, and of course the factory manager was delighted. Well he might be, seeing that he earned commission on the net profit. The directors beamed approval on him and held him up as a model executive; he became known as Superman.

Personally I'm afraid that I disliked him. He was a tall loud-voiced overbearing type, always talking big about next year's probable triumphs, and most reluctant to discuss details with mere accountants. True, he seemed to have an answer for every query, but he specialized in the 'brush-off' to office types. His deferential bearing to the directors on the other hand was marked, and their reaction was so favourable that even our deputy-chairman used to laugh at his jokes.

One day he rather ridiculed one of my ledger clerks, who had queried a unilateral credit allowance given to a doubtful customer, so I decided to investigate – to see whether Superman was a rough diamond or just paste. For two days I spent most of my time in the shirt factory, scanning every operation, dissecting every invoice. Superman appeared to be amused superficially.

The raw materials seemed straightforward – bales of white or coloured or striped materials. The prices seemed right (I checked with a friend of mine in the trade); also the prompt payment discounts, and the reconciliation with book stocks.

Operations appeared satisfactory . . . the cutters with the shiny blades shearing through patterns and

materials . . . the girls at the sewing machines . . . the transfer to packing and dispatch. The wage books showed no 'dead men'; the piecework rates tallied; output was beyond criticism. Admittedly, the dockets were complicated, particularly as regards the job-number coding system, but a few tests from bales to finished products tallied perfectly. Costings by operations, plus on-cost as per agreed formula, were all in order. He worked them out himself. Superman's explanations seemed louder and curter . . . was there something apprehensive in his stare?

I paced down the long bins of finished stocks, gleaming in cellophane, perfectly indexed. A few questions . . . the rate of profit on these woollen winter shirts? . . . Any defective consignments returned? . . . Slow movers? He admitted that stocks were high – yes, higher than he liked, but the spring sales drive would clear them; just wait and see. His standard models were the bread-and-butter lines: same every year, men's plain white or blue, and the open-necked summer specials.

He was confident about some colourful T-shirts that I questioned . . . yes, a new line as shown by the docket code-number; should sell really well, contemporary imported design. And these others? . . . yes, even better, not to worry. Sorry he had to go now; he had some sample books – important items, you'll understand, to finalize with the sales manager.

I told him to go ahead; important items must have priority. In fact I needed a break because I was feeling sick, sick with the consciousness of disaster ahead. Because a liar should have a good memory . . . because over two years ago I'd bought myself two of these T-shirts at our own counter at about 14s each, which presumably included a profit margin, yet here they were marked at cost price of 26s 9d on our stock sheets.

Just a case of putting up-to-date tags and higher prices on all the old lines, thus inflating the stock values, consequently the net profit . . . and the manager's commission.

The shocked faces in the boardroom next morning . . . his collapse . . . the scandal . . . they add up to the bitterness of success.

# Finance and Commerce

## Court Line

THIS week's reprint shows the accounts of Court Line Ltd in which have been adopted a 'rather more modern form of presentation of the balance sheet' and a change in the basis of profit 'in order to prevent our annual profit and loss account becoming an absurdity'.

Mr W. S. Philipps, the chairman, says: 'We have met difficulties in the preparation of the profit and loss account. In the past, we have only included profits on voyages of our ships which, during the year under review, have returned to the British Isles or near Continental ports, and consequently have had to pay off their crews and were thus regarded as having completed a voyage'.

But 'our two present profit-earning vessels - *Arlington Court* and *Cressington Court* - have been consistently trading in the Pacific Ocean ever since we acquired them in April 1962 and December 1961 respectively. Further, it is extremely likely that our *Cressington Court* will continue to do so and that our new tanker, *Halcyon Days*, will trade in a similar manner'.

## 'Academic' Reserve

'For the above reason', Mr Philipps continues, 'in order to prevent our annual profit and loss account becoming an absurdity it has been considered advisable to calculate *pro rata* profits for these vessels for the period up to June 30th, 1963.'

He therefore points out that the profits in these accounts cover a period of eighteen months in the case of the *Cressington Court* and of fourteen months in the case of the *Arlington Court*. They also cover broken periods up to the date of handing over the five vessels sold to the Jayanti Shipping Co Ltd of Delhi. *Dorington Court* and *Errington Court*, he adds, have been laid up during the period under review.

This accounting procedure, says the chairman, will be continued in future so that the next accounts will cover twelve months' actual trading.

Mr Philipps draws attention to two particular items. One is the transfer of the whole of the taxation equalization reserve to profit and loss account. The company, he explains, now has taxation deficiencies in excess of £1 million so that the requirement for this additional reserve 'would appear to be somewhat academic in the foreseeable future'.

## Special Transfer

The other item is the special transfer of £544,334 to depreciation account. Over the past year, Mr Philipps explains, the pressure of world shipbuilding capacity, coupled with existing over-supply, has

forced down the value of second-hand tonnage to an 'abysmally low level'. In July, the company could only get £250,000 for the six-year-old *Errington Court* and in October £305,000 for *Dorington Court*.

Consequently, he says, it is now necessary for us to write off, against the additional depreciation referred to, the difference between the sale price of these vessels and their written-down value in the books.

With regard to the future, Mr Philipps says it is very difficult to predict how long the present rise in freight rates will continue but the *Halcyon Days* is chartered for six and a half years and the Jayanti payments are due to continue for the next nine years. So the board, taking these circumstances into account, decided to raise the dividend to 10 per cent even though it had not been earned, rather than wait until future accounts showed that it had been fully covered by earnings.

## Building in Japan

Mr Philipps's reference to the order given by the company for a ship to be built in Japan is a good pointer to what has been happening in shipbuilding.

He had previously told Court Line shareholders that the company would in future probably only build against specific requirements. But that was before it became apparent early in April that a price war had broken out between Swedish and Japanese shipbuilders in their efforts to keep their yards employed. In the new circumstances, there was a unique opportunity to obtain a new vessel at a price that

## COURT LINE LIMITED

### NOTES

- (1) There has been a change in the basis of computing profits and losses on voyages for the purposes of these Accounts. In previous years, only profits on voyages which have terminated in the United Kingdom or near Continental Port during the year under review have been taken into the Accounts. If this procedure had been followed in the case of the vessels which were trading throughout the year, it would have necessitated the omission of any profit earned by them as they have been trading abroad since acquisition. In view of this it has been decided to include all profits earned by those vessels up to the 30th June, 1963. This basis of computation will perforce be followed in future. For the above reason, the voyage results for the year to 30th June, 1962, are not comparable with those for the current year.
- (2) By reason of capital allowances available and losses brought forward, no taxation is payable on the Company's income for the year.
- (3) The sum of £544,344 transferred to Special Depreciation is the amount required, over and above the normal annual provision, to write down to their market value the cost of two ships which have been sold since the date of the Balance Sheet.
- (4) Included in Debtors and Payments in advance is a sum of £1,391 being balances on uncompleted voyages at 30th June, 1963.
- (5) In the opinion of the Directors the current assets, in the normal course of trading, should have a value not less than that at which they appear in the Balance Sheet.
- (6) The interest in the wholly-owned Subsidiary Company has not been consolidated in the Holding Company's Accounts, as the Subsidiary in question has not commenced trading, also the amounts involved are insignificant and would be of no real value to the members of Court Line Limited.  
The net aggregate amount of the loss at the 30th June, 1963, of this Subsidiary Company is £85, which has arisen since the company became a Subsidiary. No provision for this latter figure of loss has been made in the Accounts of the Holding Company.
- (7) The Company has unconditionally guaranteed the indebtedness of a wholly-owned Subsidiary Company for the cost of a Tanker to a total of approximately £2,320,000. Apart from this there were no capital commitments at the 30th June, 1963, concerning either the Holding Company or either of the Subsidiary Companies.
- (8) By the Companies (Shipping Companies Exemption) Order, 1948, the Company is exempt from disclosing certain information relating to Reserves and Provisions and changes therein, and certain details of Fixed Assets and the depreciation thereof, and these Accounts have been prepared accordingly.

	1963	1962
	£	£
<b>FIXED ASSETS:—</b>		
Fleet at Cost .. .. .	3,820,625	3,820,625
Less: Depreciation and Amounts written off .. .. .	1,166,971	1,166,971
	<u>2,653,654</u>	<u>2,653,654</u>
Motor Car at Cost .. .. .	1,125	1,125
Less: Depreciation .. .. .	885	885
	<u>1,240</u>	<u>1,240</u>
<b>SUBSIDIARY COMPANY (not consolidated):—</b>		
Shares at Cost (see Note 6) .. .. .	1,300	1,300
	<u>2,656,194</u>	<u>2,656,194</u>
<b>TOTAL FIXED ASSETS</b>		
<b>CURRENT ASSETS (see Note 5):—</b>		
Amount due from Sale of Vessels (Secured)	1,133,336	1,133,336
Loans (Secured)	1,346,667	1,346,667
Debtors and Payment in Advance (see Note 4)	175,980	175,980
Insurance Premiums paid in Advance	21,448	21,448
Cash at Bankers and in Hand	58,867	58,867
<b>TOTAL CURRENT ASSETS</b>	<u>2,736,298</u>	<u>2,736,298</u>
<b>Deduct:—</b>		
<b>CURRENT LIABILITIES AND PROVISIONS:—</b>		
Loan Creditor (Secured)	551,181	551,181
Bank Loan and Accrued Interest (Secured)	1,172,725	1,172,725
Trade Creditors and Accrued Charges	219,594	219,594
Unclaimed Dividends	391	391
Proposed Dividend, less Income Tax	86,822	86,822
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,030,623</u>	<u>2,030,623</u>
<b>GOODWILL</b> , being the excess of the cost of Shares in a Subsidiary Company, together with the advance to that Company, over the net tangible assets at the date of the Balance Sheet .. .. .	705,675	705,675
<b>TOTAL NET ASSETS</b> .. .. .	<u>£3,407,704</u>	<u>£3,407,704</u>
<b>Represented by:—</b>		
<b>SHARE CAPITAL:—</b>		
Authorised: 8,000,000 Ordinary Shares of 5s. each	£2,000,000	£2,000,000
Issued: 5,670,000 Ordinary Shares of 5s. each, fully paid	1,417,500	1,417,500
<b>RESERVES:—</b>		
Capital (Fleet Replacement)	1,125,782	1,125,782
General	500,000	500,000
Contingency and Survey	200,000	200,000
Taxation Equalisation	24,139	24,139
Pension Equalisation .. .. .	140,233	140,233
Profit and Loss Account Balance		
	<u>1,990,204</u>	<u>1,990,204</u>
	<u>£3,407,704</u>	<u>£3,407,704</u>

must make her a first-class long-term commercial proposition.

A 67,000 tons deadweight motor tanker was ordered from Hitachi of Japan for delivery in April 1964. This was believed to be the first order given by a traditional British shipowner to a Japanese yard and was 'possibly a direct cause of the Government at last making up its mind to help British shipowners by putting them on a parity with foreign owners in respect of the terms of finance obtainable for ships ordered from British

yards'.

The company, says Mr Philipps, actually invited tenders from British, Norwegian, Swedish, German, Dutch and Belgian yards, as well as the Japanese yards, and was prepared to give a preference to British yards over all others. In the event, he says, British yards were doubtless wise not to show undue anxiety to compete in price as, owing to the Government's action, they have probably got more remunerative contracts by waiting.

## CITY NOTES

THE equity sections of the stock-market are now looking decidedly 'General Election conscious'. Profits, following the rise in the share index to within 4 per cent of its all-time peak, proved too tempting.

Prices have fallen in active market conditions which is an indication that prices are being 'sold' down, rather than merely 'marked' down in an attempt to attract support.

Business in equities is now mainly the preserve of the small- or medium-sized operator. The bigger scale industrial share investors - insurance companies and pension funds - are not in the market at present.

Although sellers have predominated there has been a reasonable volume of buying support, not necessarily on a well-considered investment basis but rather on 'hope springs eternal' lines. The shake-out in ordinary share prices has not been in any way disorderly and it will certainly not do the market itself

any harm even though buyers seem in no particular hurry to return as yet.

For the time being the gilt-edged market has benefited to some extent from the equity fall and there are signs of money moving towards Government stocks on a short-term basis.

\* \* \*

A HEAVY volume of new issue business is due to reach the City between now and the Budget. A number of major new offers for sale are 'on the stocks' and will be launched on the market in the next few months.

New money calls, in the form of rights issues and fixed interest stock placings, are also expected to be extremely heavy in the next three months or so. There is invariably a move to 'beat the Budget' in the new issue market. This year the move has a 'beat the election' element in it as well.

## RATES AND PRICES

*Closing prices, Wednesday, January 15th, 1964*

**Tax Reserve Certificates:** interest rate 19.1.63 2½%

Bank Rate				Money Rates			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%	Day to day	2½-3½%	Bank Bills	
July 26, 1961	7%	Mar. 22, 1962	5%	7 days	2½-3½%	2 months	3½-3 11/16%
Oct. 5, 1961	6½%	April 26, 1962	4½%	<i>Fine Trade Bills</i>		3 months	3½-3 11/16%
Nov. 2, 1961	6%	Jan. 3, 1963	4%	3 months	5-5½%	4 months	3½-3 11/16%
				4 months	5-5½%	6 months	3½-4%
				6 months	5½-6%		
Treasury Bills				Foreign Exchanges			
Nov. 8	£3 15s 0.62d%	Dec. 13	£3 14s 8.89d%	New York	2.79 3/8	Frankfurt	11.13 1/2
Nov. 15	£3 15s 0.68d%	Dec. 20	£3 14s 4.45d%	Montreal	3.02 1/2	Milan	1742 1/2
Nov. 22	£3 15s 0.11d%	Dec. 27	£3 14s 5.08d%	Amsterdam	10.08 1/2	Oslo	20.03 1/2
Nov. 29	£3 14s 9.42d%	Jan. 3	£3 14s 4.19d%	Brussels	139.44 1/2	Paris	13.71 1/2
Dec. 6	£3 15s 4.58d%	Jan. 10	£3 14s 3.33d%	Copenhagen	19.33 1/2	Zürich	12.07 1/2
Gilt-edged							
Consols 4%	..	..	66 1/8	Funding 3% 59-69	..	..	92 1/8
Consols 2½%	..	..	43 1/8	Savings 3% 60-70	..	..	89 1/8
Conversion 6% 1972	..	..	105 1/2xd	Savings 3% 65-75	..	..	80 1/2xd
Conversion 5½% 1974	..	..	100 1/2	Savings 2½% 64-67	..	..	93 1/8
Conversion 5% 1971	..	..	99 1/8	Treasury 5½% 2008-12	..	..	95 1/8
Conversion 3½% 1969	..	..	94 1/8	Treasury 5% 86-89	..	..	91 1/8
Conversion 3½%	..	..	59 1/8	Treasury 3½% 77-80	..	..	79 1/8
Funding 5½% 82-84	..	..	98 1/8	Treasury 3½% 79-81	..	..	78 1/2xd
Funding 4% 60-90	..	..	94 1/8	Treasury 2½% ..	..	..	43
Funding 3½% 99-04	..	..	66 1/8	Victory 4% ..	..	..	97 1/2
Funding 3% 66-68	..	..	92 3/8	War Loan 3½% ..	..	..	59 1/8

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Organization in the Profession

SIR, — In your first leader of December 21st you quoted Mr Gerald L. Phillippe as saying that accountants were letting the initiative slip from their hands and what business needed was 'aggressive leadership', which, if not supplied by accountants, would be supplied by others.

The accountancy profession first should put its own house in order, and since December 1956 this need has become increasingly evident.

Later in your issue of December 21st, it was mentioned that a committee appointed by the Council of the Association had completed its investigation in connection with a recommended minimum scale of professional fees for *certified accountants*, and would be submitting its findings to the Council on January 15th, 1964.

In a further leader in the final issue of your journal for 1963, it was stated that the English Institute, with the help of *The Economist* Intelligence Unit, had completed a similar exercise. It was stated that doubtless the Council of the Institute sought to ensure that *every properly-trained accountant* should be free to earn his living without fear of unqualified competition, and you very correctly surmised that some of the largest City firms were probably 'passing rich', while at the other end of the scale, a much larger number of small provincial firms were poor. This is quite true, Mr Editor, and it seems the greater the independence, standard, initiative and integrity, the less the reward — which surely is wrong.

I therefore appeal to the Councils of the Institute and the Association, as a first step, to concentrate on a scale of fees for *every properly-trained accountant*, and thereafter to advertise extensively the benefits attaching to the appointment of such a person rather than of 'a tradesman'.

On January 27th, 1957, the Council of the Association issued a statement on 'Integration', paragraph 7 of which read,

*"The Council is not insensible of the fact that such a scheme would offer some attraction to practising members (certified accountants) and also — though to a less extent — to those non-practising members who were articled or trained in the office of a practising accountant."*

If this was true then, as I know it was, it is doubly so today, and the time has long since past when the Institute should take the initiative by offering a scheme similar to that of December 1956 to those

certified accountants professionally trained. I know this would be the wish of almost all chartered and certified accountants, and it would enable the Institute to impose a scale of fees for *every properly-trained accountant*, and to regulate and organize the profession to the best possible advantage to the public and also to those accountants engaged in practice.

In my opinion, sir, the time for 'aggressive leadership' has long since arrived, and further procrastination will only worsen the plight of the qualified practitioner.

Yours faithfully,  
GUY S. PEARCE, F.A.C.C.A.

*Stoke-on-Trent.*

### Hire-purchase Charges

SIR, — One of the local inspectors of taxes with whom we have dealings has suggested to us that where a taxpayer has an asset on hire-purchase which is used partly for business and partly for private purposes, e.g. a motor-car, the proportion of hire-purchase charges which relates to the private use of the asset should be disallowed in the same way as a proportion of the running expense and capital allowances are disallowed. We have never previously had this suggestion made to us and we have many clients with motor-cars and other business assets on hire-purchase, and invariably the whole amount of the hire-purchase charge is allowed.

Although it seems that in law the inspector may be correct, it seems that he is departing from normal Revenue practice and we have suggested this to him. He replies that the 'attitude of the Revenue has hardened in this matter during the past year and it is now the practice to apply the restriction on the lines suggested'. In view of this, he has declined our suggestion that he should refer the matter to his head office but we do not feel inclined to accept what he says without corroboration. We shall be glad if you or any of your readers can confirm or otherwise, that the Revenue practice in this matter has in fact changed.

Yours faithfully,  
HENRY CHAPMAN, SON & CO.  
*South Shields.*

[Our correspondent appears to concede that in law the inspector may be correct and if the true nature of a hire-purchase agreement is examined it will be found that the so-called 'interest' charge, although calculated by reference to interest rates, is in reality the charge for the use of the vehicle. This was pointed out in the case of *Darngavil Coal Ltd v. Francis* (7 T. C. 1), and it would follow that such part of the hire charge as is not attributable to business purposes falls to be disallowed under section 137 (a), Income Tax Act, 1952. As to Revenue practice in this matter, it may be that some inspectors have been prepared to regard the hire-purchase charge as interest, but some practitioners have had the experience that for many years past the Revenue have taken the view that the hire charge is apportionable in the same way as running expenses. — Editor.]

**Investing with Life Assurance**

SIR, — As a number of correspondents have pointed out, a 'with profits' endowment policy goes a long way to resolving Mr Wraight's fear (December 14th issue) that he is paying away valuable 'current' pounds to obtain repayment in depreciated 'future' pounds.

For those who still have doubts, the most modern development in life assurance — the unit trust-linked endowment policy — provides the clear solution. Statistics covering the past ninety years show that, over any reasonable period of time (say ten years or more), the prices of ordinary shares tend to rise at least as fast as the cost of living. By linking their policies to unit trusts (which in turn spread their funds over a wide range of ordinary shares), a number of life assurance companies are now able to promise to repay a number of future pounds which should be at least as inflated as — and probably more inflated than — the prices of real goods at the time of repayment.

Yours faithfully,

M. A. WEINBERG, B.COM., LL.M.,  
London EC4. Managing Director,  
ABBEY LIFE ASSURANCE CO LTD.

**The Boy who Forgot His Dinner Money**

SIR, — I find myself puzzled by the touching cameo of the boy who forgot his dinner money (December 28th issue). The 'Head Teacher' — if he is such and this is no seasonal fable — appears to be in as deep a fog on the intention of the dinner money rules as he is on the author of those 'rules'. Is the author 'the powers that be', the 'Office', the 'Education', the 'chief accountant' or 'the auditors'? It would seem important to 'Head Teacher' to find out, so that he can be afforded the relief of enlightenment!

If the story is factual, then there is indeed a problem — but *not* of auditing. I would not wish readers of *The Accountant* to believe that the picture presented is a normal one in the education world, or that any local government accountant would tolerate such nonsense for one moment.

In my own local education authority, school meals moneys are collected according to the custom of the school and each head teacher determines for himself the discipline to be enforced. The cash collected must be banked (at any convenient bank in the town) on the same day as the main collection from pupils and subsequent bankings are made of late collections if the amount warrants it. The pay-in slip gives enough detail to enable reconciliation of cash and meals taken to be a simple matter.

It occurs to me to wonder how much of 'Head Teacher's' troubles are brought about by those of his colleagues who shout loudly that 'their job is to teach and not to mess about with meals and book-keeping'. There are a large number of teachers who fail to realize that one cannot have public education

without public finance and that public accountability requires adequate records. To use clerical staff in a large school would interfere with teaching far more than do present methods of collection, whilst the commercial system of 'pay as you eat' is utterly impracticable for younger children.

It may only be a coincidence, but I note that those State schools with the highest reputation for sound teaching and enthusiasm for progress in education, are very often those which have meals in which staff happily join — and curiously enough, such schools are *no* trouble to the auditors.

Yours faithfully,

C. M. T.

[The author of the article in question is a head teacher, who assures us that notwithstanding the light-hearted manner in which the story was recounted, it is true. — *Editor.*]

**Unfamiliar Jargon**

SIR, — I have just caught up with Chapter 204 of the life of your Industrious Accountant (December 28th issue) in which he comments on the unfamiliar jargon of electronic data processing.

I have always been of opinion that data processing sounds rather depressing, it is bad enough processing cheese; they are both hard to swallow, like jargon most hollow, imported from far overseas. I may be contentious but terms so pretentious can only be coined to impress; for with each new technique comes a new verbal freak that adds to our lingual distress. Let us put an embargo on words from Chicago that ruin our burglarized tongue; though we daren't blame the States — our dear NATO mates — we must keep them in check, they're so young.

Yours faithfully,

London EC2.

W. J. DYMOTT.

**Architect's Practice: Partnership**

SIR, — We should be grateful to hear from any of your readers who can give us, from their recent experience, the price being paid for a share in an architect's practice.

Yours faithfully,

TUBBS, SON, GILES & CO,  
Crawley, Sussex. CHARTERED ACCOUNTANTS.

**Founded before 1860**

SIR, — We have been interested to read about Messrs Learoyd & Sons, of Halifax (December 14th issue), and Messrs C. M. Merchant & Son, of Bury (January 11th issue), and feel that we have much in common with them. It will be noted that each of the three firms ends in the words '& Son(s)'.

Although we celebrated our centenary in 1960 we have since ascertained that Edward Thomas Peirson set up in practice in 1852 and became one of the original members of the Institute Council in 1880.

The words '& Sons' were added to his name some forty years after inception.

We might add that he was the grandfather of Mr E. Thomas Peirson (who retired from the firm at

December 31st last) and of two partners in the present firm.

Yours faithfully,  
EDWARD THOMAS PEIRSON & SONS.  
Coventry.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### NOTIFICATION OF EXAMINATION RESULTS

A list of candidates successful at the November 1963 examinations will be displayed at the offices of the Institute on Wednesday, February 12th, 1964. The list will be published in the issue of *The Accountant* dated February 15th, 1964.

Subject to unforeseen circumstances, the following procedure will be adopted.

(a) Each candidate may expect to receive by post: (i) at the earliest on Saturday, January 25th, a notice stating whether he has passed or failed, and (ii) at the earliest on Saturday, February 8th, details of any prize or certificate awarded (and, in the case of the Intermediate examination, of the place taken), or, if unsuccessful, details of his performance in individual papers.

(b) Lists of successful candidates' numbers will be received on Saturday, January 25th, at the addresses shown on the following list, in order that these may be displayed there. Any individual candidate whose notice does not reach him by Saturday, January 25th, may make inquiries during normal office hours from any of these addresses, either by making a personal call or by telephone. The Institute cannot give information of results by telephone or telegram and cannot entertain any inquiries as to whether results are available. Copies of the lists referred to above will, however, be displayed in the entrance hall at Moorgate Place, but any candidate wishing to make an inquiry by telephone must do so by using one of the telephone numbers shown below.

#### BIRMINGHAM

Mr C. W. Massey, F.C.A.  
36 Cannon Street

*Midland 1567*

#### BOLTON

Mr P. Clarke, F.C.A.  
Messrs Greenhalgh, Son & Dutton  
20 Acresfield

*Bolton 25872*

#### BOURNEMOUTH

Mr H. Payne, F.C.A.  
Messrs C. R. Blissett & Co  
Waterloo Chambers  
Fir Vale Road

*Bournemouth 21835*

#### BRIGHTON AND HOVE

Mr W. H. Minter, F.C.A.  
Messrs Spain Bros, Dalling & Co  
1 Pavilion Buildings  
Brighton

*Brighton 26106*

#### BRISTOL

Mr R. C. Bassett, A.C.A.  
7 Unity Street  
College Green, 1

*Bristol 25417*

#### CAMBRIDGE

Mr R. A. Cook, F.C.A.  
Messrs Peters, Elworthy & Moore  
Norwich Union Buildings  
Downing Street

*Cambridge 59411*

#### CANTERBURY

Mr W. R. Young, F.C.A.  
Messrs Reeves & Young  
39 St Margaret's Street

*Canterbury 4484*

#### CARDIFF

Mr Howard N. Jones, B.A., A.C.A.  
Hon. Secretary  
South Wales and Monmouthshire Society of Chartered  
Accountants  
63 Park Place

*Cardiff 21141/2*

#### CARLISLE

Mr K. J. Sharp, M.A., A.C.A.  
Hon. Secretary, Cumberland Branch  
c/o Messrs James Watson & Son  
Lloyds Bank Chambers  
Lowther Street

*Carlisle 26196*

#### CHESTER

Mr R. R. Williams, A.C.A.  
Messrs Jones & Hack  
10 White Friars

*Chester 21002*

#### COLCHESTER

Mr W. E. G. Kirby, F.C.A.  
Messrs Norman F. Kirby & Co  
3 Church Street

*Colchester 5601*

#### COVENTRY

Mr J. R. Mead, F.C.A.  
Messrs Daffern & Co  
29 Warwick Road

*Coventry 21046*

#### DARLINGTON

Mr C. A. P. Snow, F.C.A.  
Messrs Peat, Marwick, Mitchell & Co  
7 Coniscliffe Road

*Darlington 2937*

#### DERBY

Mr A. Jones, A.C.A.  
Messrs Richardson, Nutt & Co  
St James Chambers  
St James Street

*Derby 42385*

#### DOUGLAS, I.O.M.

Mr J. John Garside, F.C.A.  
Talbot Chambers  
18 Athol Street

*Douglas 3221*

#### EDINBURGH

Miss D. M. Vaughan, B.A., F.C.A.  
108 Hanover Street, 2

*Caledonian 1513*

#### EXETER

Mr G. F. Edwards, F.C.A.  
Hon. Secretary, Exeter and District Branch  
62 High Street

*Exeter 58551/2*

<b>GOOLE</b> Mr N. Townerd, F.C.A. Carlisle Chambers	<i>Goole 332</i>	<b>NOTTINGHAM</b> Mr R. F. Holloway, F.C.A. Messrs Derbyshire & Co Bentinck Buildings Wheeler Gate	<i>Nottingham 42071</i>
<b>GRIMSBY</b> Mr W. S. Warrs, F.C.A. 20 Carlton Road	<i>Grimsby 3891</i>	<b>PLYMOUTH</b> Mr T. G. Preedy, A.C.A. Messrs Whitmarsh, Edgcombe & Preedy 70 Mutley Plain	<i>Plymouth 61161</i>
<b>HASTINGS</b> Mr W. R. McBrien, F.C.A. Messrs Gibbons & Mitchell 7/8 Wellington Square	<i>Hastings 1864/5</i>	<b>PORTSMOUTH</b> Mr D. J. Gulliford, F.C.A. Messrs Edmonds & Co Charter House	<i>Portsmouth 22444</i>
<b>HEREFORD</b> Mr A. J. Leach, F.C.A. Messrs Thorne, Widgey & Co All Saints Chambers Eign Street	<i>Hereford 2098/9</i>	<b>PRESTON</b> Mr R. B. Arrowsmith, F.C.A. c/o G. Arrowsmith & Sons Ltd Ormskirk Road	<i>Preston 4008</i>
<b>HUDDERSFIELD</b> Mr S. G. Kaye, A.C.A. Alexandra Chambers 32 John William Street	<i>Huddersfield 1454</i>	<b>ST HELENS</b> Mr C. A. Hunter, F.C.A. Messrs C. A. Hunter, Callon & Co Britannia Chambers George Street	<i>St Helens 27336</i>
<b>HULL</b> Mr E. G. Chadwick, F.C.A. 1 Parliament Street	<i>Hull 36802</i>	<b>SCARBOROUGH</b> Mr R. M. Bastiman, A.C.A. 38 Queen Street	<i>Scarborough 4534</i>
<b>JERSEY, C.I.</b> Mr C. G. Pile, F.C.A. Messrs Reads, Cocke, Watson & Scarborough Bank Chambers Mulcaster Street	<i>Central 31451/2</i>	<b>SHEFFIELD</b> Mr J. M. Beard, F.C.A. Sheffield and District Society of Chartered Accountants Victoria Chambers 22 Norfolk Row, 1	<i>Sheffield 25531</i>
<b>LEEDS</b> Mr W. E. Ellison, B.COM., F.C.A. The Leeds, Bradford and District Society of Chartered Accountants City Chambers Infirmary Street, 1	<i>Leeds 26475</i>	<b>SHREWSBURY</b> Mr D. B. Whittingham, F.C.A. Messrs Wheeler, Whittingham & Kent Old Bank Buildings Bellstone	<i>Shrewsbury 2048</i>
<b>LEICESTER</b> Mr W. E. Willis, D.F.C., B.A., F.C.A. 24 Friar Lane	<i>Leicester 22901</i>	<b>SOUTHAMPTON</b> Mr G. E. Radford, F.C.A. Messrs Radford, McColl & Co 12 Portland Street	<i>Southampton 25186</i>
<b>LINCOLN</b> Mr J. B. Perkins, A.C.A. Doughty's Mills Melville Street	<i>Lincoln 27412</i>	<b>STOCKTON-ON-TEES</b> Mr J. A. Cook, A.C.A. Messrs Jewitt, Sparrow & Swinbank Barrington House 2 Bowesfield Lane	<i>Stockton-on-Tees 67182</i>
<b>LIVERPOOL</b> Mr K. Duncan, F.C.A. Hon. Secretary Liverpool Society of Chartered Accountants 5 Fenwick Street, 2	<i>Central 2401</i>	<b>STOKE-ON-TRENT</b> Mr N. E. Dunning, F.C.A. Stoke-on-Trent Area Branch Messrs Bournier, Bullock & Co 17 Albion Street Hanley	<i>Stoke-on-Trent 21481</i>
<b>LONDON</b> Mr D. C. P. Kelleher	<i>Gibbon 1630</i>	<b>SWANSEA</b> Mr H. W. Vaughan, F.C.A. 12 Christina Street	<i>Swansea 52108/9</i>
<b>LUTON</b> Mr E. J. Frary, F.C.A. 26 Victoria Street	<i>Luton 3144</i>	<b>WARRINGTON</b> Mr F. L. Davies, F.C.A. Messrs Davies, Downs & Co 82 Sankey Street	<i>Warrington 33301</i>
<b>MAIDSTONE</b> Mr D. A. Goate, A.C.A. Messrs Larking & Larking Cornwallis House Pudding Lane	<i>Maidstone 4033</i>	<b>WEST HARTLEPOOL</b> Mr H. B. Kilvington, F.C.A. Messrs H. H. Kilvington & Co 17 & 19 Scarborough Street	<i>West Hartlepool 2637</i>
<b>MANCHESTER</b> Mr D. A. Boothman, F.C.A. Manchester Society of Chartered Accountants 46 Fountain Street, 2	<i>Deansgate 3188</i>	<b>WIGAN</b> Mr E. Tootle, B.COM., F.C.A. Messrs Holmes & Turner Wallgate Chambers Wallgate	<i>Wigan 2145</i>
<b>MIDDLESBROUGH</b> Mr C. P. Barrowcliff, F.C.A. Messrs C. P. Barrowcliff & Co 68/70 Corporation Road	<i>Middlesbrough 3707</i>	<b>WOLVERHAMPTON</b> Mr A. H. Nelson, A.C.A. Graiseley Chambers 39 Penn Road	<i>Wolverhampton 24634</i>
<b>NEWCASTLE UPON TYNE</b> Mr R. W. Thoburn, F.C.A. Hon. Secretary Northern Society of Chartered Accountants 12 Windsor Terrace	<i>Newcastle 81-3215</i>	<b>WORCESTER</b> Mr F. C. Roy, F.C.A. Messrs Walker, Weller & Roy 17 The Tything	<i>Worcester 26215</i>
<b>NORTHAMPTON</b> Mr R. F. Watkins, F.C.A. 45 Sheep Street	<i>Northampton 1738</i>		
<b>NORWICH</b> Mr H. Robinson, F.C.A. Messrs Robinson & Co 4 Elm Hill	<i>Norwich 28629</i>		



## FOR STUDENTS

## SUBVENTION PAYMENTS

IN certain circumstances a loss incurred by a company can be offset by a payment (a subvention payment) made to it by an associated company. Such a payment is then treated, for income tax and profits tax purposes, as an allowable expense of the paying company and as a trading receipt of the recipient company.

This provision applies only where one of the two companies is a subsidiary of the other or where both are subsidiaries of a third company. A subsidiary company is one of which at least 75 per cent of the ordinary share capital is held by the parent company. The relationship must have subsisted at all times between the beginning of the payee company's accounting period in respect of which the payment is made and the making of the payment. Furthermore, both paying and receiving companies must be resident in the United Kingdom and carrying on a trade wholly or partly in the United Kingdom.

The payment must be in respect of a loss where the company receiving the payment has a deficit and the company making the payment has a surplus. The amount of the payment qualifying for relief is the lowest of (1) the payee company's deficit, (2) the paying company's surplus, and (3) the amount actually paid.

For this purpose a 'deficit' and a 'surplus' does not mean merely adjusted loss and adjusted profit under Case I or II of Schedule D. There must also be taken into account any other taxable income receivable, any capital allowances and any annual charges paid under deduction of tax, for the year of assessment in which the accounting period ends.

A subvention payment, to be recognized as such for tax purposes, must be made under an enforceable agreement. If the agreement is not under seal it requires some consideration but the adequacy is immaterial.

The agreement may provide for the paying company to bear a share in losses generally of the payee company or it may refer to one specific loss. This flexible arrangement is therefore usually preferable to giving an irrevocable grouping notice. The time limit within which the payment must be made is the end of the second year of assessment following that in which the accounting period ends.

*Illustration*

Hove Ltd and Rye Ltd are wholly-owned subsidiaries of Sussex Ltd and each company makes up its accounts to December 31st.

For the year ended December 31st, 1961, the results as adjusted for income tax purposes were:

Hove Ltd: profit £6,745; Rye Ltd: loss £5,452. The agreed capital allowances are:

	Hove Ltd	Rye Ltd
1961-62	£863	£325
1962-63	667	287

Hove Ltd owns its business premises (net annual

value £90) and pays a ground-rent of £25 (gross) per annum. Rye Ltd has paid patent royalties to a United Kingdom company of £310 in 1961-62 and £273 in 1962-63. The company held £3,000 3½ per cent War Loan (interest payable June 1st and December 1st) for many years until July 31st, 1962, when the holding was sold.

There were no losses or capital allowances brought forward by either company.

An agreement is in force between Hove Ltd and Rye Ltd under which each shall make good any losses suffered by the other. Under this agreement Hove Ltd paid to Rye Ltd on September 30th, 1962, £6,240 being the loss shown by Rye Ltd's accounts for the year ended December 31st, 1961.

The amount of the subvention payment allowable for tax purposes is the lowest of the following three items:

(1) Subvention payment by Hove Ltd to Rye Ltd	£ 6,240
(2) Surplus of Hove Ltd	
Trading profit for year to December 31st, 1961	£ 6,745
Schedule A assessment 1961-62	90
	6,835
Less: Capital allowances	
1961-62	863
Ground-rent 1961-62	25
	888
	5,947
(3) Deficit of Rye Ltd	
Trading loss for year to December 31st, 1961	£ 5,452
Add: Capital allowances	
1961-62	£325
Royalties paid 1961-62	310
	635
	6,087
Less: War Loan interest 1961-62	105
	5,982

Therefore the amount allowable for tax purposes is £5,947 and the direct income tax assessments on Hove Ltd and Rye Ltd for 1962-63 will be as follows:

Hove Ltd	£
Schedule D, Case I:	
Profits for year to December 31st, 1961	£ 6,745
Less: Subvention payment to Rye Ltd	5,947
	798
Less: Capital allowances 1962-63	667
	131
Schedule A	90
	£221

The company will recoup tax on £25 ground-rent paid.

#### Rye Ltd

##### Schedule D, Case I

Subvention payment from Hove Ltd	..	5,947
Less: Trading loss for year to December 31st, 1961	..	5,452
		<hr/> 495
Less: Capital allowances 1962-63	..	287
		<hr/> 208

##### Schedule D, Case III

War Loan interest (half-year received June 1st, 1962 - source discontinued)	..	52
		<hr/> 260

##### Section 170:

Royalties paid	..	£273
Less: Schedule D assessments, as above	260	
		<hr/> 13
		<hr/> £273

## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS BARTON, MAYHEW & Co, Chartered Accountants, and Messrs PARKINSON, MATHER & Co, Chartered Accountants, announce that, whilst continuing their separate practices, they have made mutual arrangements for the interchange of services at their various offices. BARTON, MAYHEW & Co will accordingly practise from the Manchester address of PARKINSON, MATHER & Co in addition to their offices elsewhere. PARKINSON, MATHER & Co will have facilities at the London office of BARTON, MAYHEW & Co whose overseas offices will also act as agents for PARKINSON, MATHER & Co.

MESSRS COX & FURSE, Chartered Accountants, of 21 Bennett's Hill, Birmingham 2, announce that Mr J. A. WALKER, A.C.A., who has been associated with the firm for a number of years, has been admitted into the partnership. The name of the firm remains unchanged.

MESSRS CURTIS, JENKINS, CORNWELL & Co, Chartered Accountants, of Eagle House, St Stephen's Street, Bristol 1, announce with regret the death on January 4th of Mr J. K. POLLITT, F.C.A., who had been the resident partner in charge of their practice at Newport, Mon, since 1958, and was previously associated with the firm in Bristol for many years.

MESSRS FRANK H. DYMOND & Co, of 37 Lewisham Way, London SE14, announce that they have taken into partnership Mr MAURICE EDWIN BEADON, A.C.A., and Mr COLIN STUART LEDERMAN, A.C.A. The practice will continue to be carried on in the name of FRANK H. DYMOND & Co.

MESSRS EGGLETON, COWCHER, WHITAKER & Co, Chartered Accountants, of 1/3 Whitfield Street, Gloucester, announce that Mr ARTHUR WHITAKER, F.C.A., has retired from the partnership as from December 31st, 1963. He will, however, be available as a consultant to clients by appointment. Mr PHILIP ALLEN COMER, F.C.A., who has been a member of the staff for a number of years, has been admitted as a partner.

MESSRS FLETCHER, FLETCHER & LAYTON, Chartered Accountants, of Salisbury, Wiltshire, announce that they have admitted into partnership Mr GILES FLETCHER, A.C.A., the son of Mr T. S. FLETCHER, F.C.A., and Mr HAROLD E. NEWMAN, F.C.A., A.T.I.I., who has been associated with them for many years. The style and address of the firm will remain unchanged.

MESSRS HOWARD HEATON & BENDALL, Messrs BAYFIELD & BAYFIELD and Messrs BUCKLE & EVANS

announce that they have amalgamated their firms. They will continue to practise at 95 Colmore Row, Birmingham 3. They also announce that Mr P. H. B. CADMAN, B.A., A.C.A., has been taken into partnership, and Mr H. R. CADMAN, F.C.A., has retired but remains available for consultation.

MESSRS LONSDALE & MARSH announce that as from January 1st, 1964, their former partnership has been amalgamated with Messrs FRANK W. LYTHGOE & Co, and the new firm is practising as LONSDALE & MARSH, Chartered Accountants, at 17 Harrington Square, Liverpool 2.

MESSRS PROCTOR & PROCTOR, Chartered Accountants, of 43 Westgate, Burnley, announce with great regret the death on January 3rd, 1964, of Mr WILLIAM TAYLOR, F.C.A., who had been a partner in the firm for over forty years.

Mr MARK RUBENS, F.A.C.C.A., announces that his address is now Ilford House, 133-135 Oxford Street, London W1. The telephone number remains unchanged.

MESSRS C. SHENTON & Co, of Grosvenor House, 104 Watgate Street, Chester, announce that on January 1st, 1964, Mr DONALD PERCIVAL CRAWFORD, F.C.A., was admitted a partner.

MESSRS WOOLLEY & WALDRON, Chartered Accountants, and BARTON, MAYHEW & Co, Chartered Accountants, of Blue Peter House, 8 and 10 Portland Terrace, Southampton, announce that Mr E. J. WALDRON, F.C.A., retired from the practice as from December 31st, 1963, after having been associated with the firm since 1907.

MESSRS H. WAISSEN WILSON & Co, Chartered Accountants, of 20 Copthall Avenue, London EC2, announce that Mr ALAN C. SALT, A.C.A., was admitted as a partner on January 1st, 1964. He has been a senior member of the staff for some years. The name of the firm remains unchanged.

MESSRS JOHN M. WINTER & SONS, Chartered Accountants, of Berkeley Square House, Berkeley Square, London W1, announce that Mr ERIC RICHARD BOXALL, F.C.A., has been admitted a partner in the firm.

### Appointments

Mr K. G. Ashworth, F.C.A., F.C.W.A., has been appointed deputy comptroller of Associated Electrical Industries (Woolwich) Ltd.

Mr H. S. Axton, F.C.A., has been appointed managing director of Brixton Estate Ltd.

Mr A. L. Cooke, M.B.E., F.A.C.C.A., has been appointed financial manager of Anglo-Ecuadorian Oilfields Ltd.

Mr I. L. Davies, A.C.A., has been appointed secretary of Bernard Wardle Co Ltd and Bernard Wardle Fabrics Ltd.

Mr E. A. Edmonds, A.A.C.C.A., has been appointed a director and secretary of Mansell Litho Ltd.

Mr P. B. Lake, F.C.A., has been appointed vice-chairman of Lake & Elliot Ltd in addition to his appointment as technical director.

Mr E. L. Langton, F.C.A., has been appointed to the board of Jury Holloware Ltd.

Sir Joseph Latham, C.B.E., F.C.A., has been appointed a vice-chairman of Associated Electrical Industries Ltd and chairman of A.E.I. Appliances Ltd.

Mr David Ledgard Shaw, A.C.A., has been appointed a director of Algrey Holdings Ltd.

Mr R. J. Males, A.A.C.C.A., has been appointed an assistant secretary to the Prudential Insurance Co Ltd.

Mr H. H. Rieck, F.C.A., has been appointed to the board of Cranleigh Industrial Trust Ltd.

Mr G. P. Slater, B.Sc.(ECON.), F.C.W.A., formerly chief accountant of the Dunlop Group, has been appointed group comptroller, responsible for financial and management accounting affairs; and Mr H. Ward, A.A.C.C.A., formerly taxation manager, becomes treasurer, with responsibility for group accounting, finance and taxation.

Mr E. R. Watson, A.C.A., secretary of Monks & Crane Ltd of Birmingham, has joined the board of the company.

Mr C. T. H. Watson, B.A., F.C.A., director and secretary, Acton Bolt Ltd, was awarded the M.B.E. in the New Year Honours List for political services in Acton.

#### CHARTERED INSTITUTE OF SECRETARIES

##### New President

Sir David Muir, C.M.G., F.C.I.S., has been elected President of the Chartered Institute of Secretaries for 1964. Sir David, who is Director-General of Industry for Queensland, was admitted a member of the Institute in 1937. He entered the Queensland Civil Service in 1933 and was appointed private secretary to the Prime Minister of Queensland in 1939. After holding a series of other Civil Service appointments, Sir David subsequently became Agent-General for Queensland in London in 1951. In 1956 he was elected to the Council of the Institute, serving as treasurer in 1962 and being elected a Vice-President last year.

#### EXPORT CREDITS GUARANTEE DEPARTMENT

The Sheffield office of the Export Credits Guarantee Department has moved to 8-12 Furnival Gate, Sheffield 1; the telephone number remains unchanged - Sheffield 29151, and the office is available through the telex service - number 54244.

The office is currently handling 272 comprehensive policies with a face value of some £34 million: this represents increases of more than 50 per cent in both number and value over the past five years.

#### THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

##### President's Luncheon

The President of The Institute of Cost and Works Accountants, Mr C. Eric Power, F.C.A., F.C.W.A., gave a luncheon party last Wednesday at the Penns Hall Hotel, Sutton Coldfield. Those present were:

Mr S. J. Careless, F.C.A., F.C.W.A., A.A.C.C.A.; Professor Donald Cousins, B.COM., F.C.A., Professor of Accounting and Administration, Birmingham University; Mr W. E. Egar, M.B.E., B.COM., F.C.I.S., Director, Josiah Parkes & Sons Ltd, Willenhall; Mr W. E. Harrison, F.C.W.A.; Mr G. C. Haynes, F.C.A., Director, Boulton Paul Aircraft Ltd, Wolverhampton; Mr N. G. Lancaster, M.B.E., F.C.A., Managing Director, Fillerys Toffees Ltd, Birmingham; Alderman A. Schmiegelow, Chairman, Warwickshire County Council; Mr G. C. Stone, F.C.W.A.; Mr G. T. Verrall, M.A., M.I.C.E., M.I.MECH.E., Director, Courtaulds Ltd; Mr J. P. Wilson, F.C.W.A., F.C.I.S.; Mr Derek du Pré, Secretary of the Institute.

#### REVENUE PAPER

##### Hilary Sittings, 1964

The following cases are down for hearing during the Hilary Term.

##### HOUSE OF LORDS

English Electric Co Ltd *v.* Musker.  
English Electric Co Ltd *v.* C.I.R.  
C.I.R. *v.* Binns Ltd.  
Rendell *v.* Went.

##### COURT OF APPEAL

Harrods (Buenos Aires) Ltd *v.* Taylor-Gooby.  
Varty *v.* The British South Africa Co.  
British Broadcasting Corporation *v.* Johns.

##### HIGH COURT (Chancery Division)

Baron Inchyra *v.* Jennings.  
Vandervell *v.* C.I.R.  
Barentz *v.* Whiting.  
L. G. Berry Investments Ltd *v.* Attwooll.  
Pegg and Pegg (Exors of H. C. Pegg, decd) *v.* C.I.R.  
Cohen and Commissioners for the General Purposes of the Income Tax for the Division of Upper Strathforth and Tickhill in the County of York *v.* C.I.R.  
Nobes and Co Ltd *v.* C.I.R.

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## REVALUATION OF ASSETS

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**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

A dinner for members of the Accountants' Christian Fellowship, their ladies and friends, has been arranged for Friday next, January 24th, at 6.30 for 7 p.m. at the Bonnington Hotel, Southampton Row, London WC1. It will be an informal social occasion and the guest speaker will be Mr W. Polson of the Lawyers' Christian Fellowship. Tickets (price 27s 6d) may be obtained from Mr W. W. Mortimer, F.C.A., 38 Chancery Lane, London WC2.

**THE BRADFORD AND DISTRICT  
CHARTERED ACCOUNTANT STUDENTS'  
SOCIETY**

A meeting of newly-articled clerks in the Bradford area has been arranged by The Bradford and District Chartered Accountant Students' Society for Wednesday next, January 22nd, at the Victoria Hotel, Bradford, at 5.45 p.m. Other meetings of the Society have been arranged as follows:

*January 30th:* 5.45 p.m., at the Victoria Hotel: Debate with Bradford Law Students' Society on 'This house believes that there is always room at the top'.

*February 6th:* at 6 p.m., Bradford: Ten-pin bowling match against Leeds Students' Society. Members wishing to attend should apply to the honorary secretary, Mr W. H. Harrison, 'Acquila Rigg', Hightown, Liversedge.

*February 17th:* Visit to Grattan Warehouses Ltd, at Ingleby Road. Inspection of I.C.T. computer installations. Members wishing to attend should apply to Mr T. C. J. Wood, 'Ingfield', Baildon.

**MANAGEMENT COURSES**

A two-day course entitled 'How to install budgetary control and standard costing' is to be held in London on February 4th and 5th and will deal in some detail with the requirements needed to install a system of flexible budgetary control and standard costing. The programme includes the interpretation and use of variances and the presentation of information to management. The course will be repeated in Manchester on February 18th and 19th. 'Standard marginal costing' is the title of a one-day course which is to be held in London on February 6th and which will also take place in Manchester on February 20th. The course is designed to show how both marginal and standard costing operate and how they may be combined to form a single tool for use by management.

Comprehensive notes will be issued with each course and further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF JANUARY 12TH, 1889

*A Weekly Note*

The position of an auditor; is Honesty the best Policy?

The Sterling Gold Mines, (Montana) Limited, was floated in 1886 with a capital of £100,000 in £1 shares. The vendors were to receive in cash and shares £65,000. It appears that about 9,000 shares only were really allotted; for though 30,000 were nominally allotted to a syndicate, nothing was ever received on them, and the shares were forfeited. It is needless to observe that, consequent on the paltry quantity of shares really taken up, nothing has or could have, been done, to develop the mines. At an annual general meeting of the shareholders held a few days ago, the auditors, Messrs. CHANDLER, PIXLEY & Co., demanded the reason for the suppression of their certificate which referred to a report of theirs severely criticising the manner in which the company had been floated, and stating that as the balance sheet and accounts (which, by the way, were only made up to the end of 1887) were not in their, the auditors' opinion, properly drawn up, and did not disclose a true and correct view of the company's position, they refused to sign them. The chairman made a reply, but when Mr. F. W. PIXLEY spoke in support of the position his firm had taken up, he was practically refused a hearing. The accounts were adopted, and Messrs. J. B. BALL, BAKER & Co., were appointed auditors on the nomination of the Chairman, in place of Messrs. CHANDLER, PIXLEY & Co. We know nothing of the exact facts of the case, but reading the report of the meeting it looks as if Messrs. CHANDLER, PIXLEY & Co. had lost an audit because they were honest, and not dishonest, and this is the impression of the press and the public generally. Under these circumstances Messrs. J. B. BALL, BAKER & Co. are entitled to have placed at their disposal whatever of our space they require to explain their reasons for accepting an auditorship which became vacant under such circumstances. Until they have had this opportunity it would be unfair to comment on their action. Messrs. CHANDLER, PIXLEY & Co. appear to have acted very honourably, and their action must have the approval of all right-minded members of the profession and the public.

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## Joint Venture

IT has long been impressed upon the qualified accountant by generations of Councils and after-dinner spokesmen that his office training and examination syllabus constituted adequate preliminary preparation for tackling any task which was likely to come his way afterwards, either in professional practice or in industry, and that wisdom would increase as experience lengthened. This pronouncement was often linked with the comforting reassurance that it was not only unnecessary but even undesirable to acquire qualifications supplementary to that conferred on him by the particular body to which he belonged.

It may have come as a surprise, then, to many such accountants to learn that they are now considered academically incomplete in one branch of professional work by these same authorities. We refer to the proposal, particulars of which - given elsewhere in this issue - were circulated this week to their members by the three bodies of chartered accountants in the British Isles, The Association of Certified and Corporate Accountants, and The Institute of Cost and Works Accountants, to create a joint post-qualification diploma in management accounting services, possession of which would call for a high standard of examination performance and practical experience.

Until more is known about the scheme it would be impolitic to comment in detail, but at least three points for consideration come immediately to mind. One is that whereas any example of co-operation by the various bodies which between them constitute the authority of the profession is to be applauded, it does seem a pity that the English and Irish Institutes intend to create, also, a junior qualification (to be gained by examination only and to be called a Certificate of Management Information), while the other bodies do not. There are no doubt excellent reasons for the individual decisions, positive and negative, but the scheme as a whole would clearly carry more weight with the outside world if a unanimous front was presented.

The second point is that the suggested minimum age of 31 for the award of the Joint Diploma would seem to be rather high, even allowing for the time which must elapse while experience is accumulating; and the final and perhaps most important point is - are there any more professional subjects which need, or are thought to need, similar post-qualification accentuation? Taxation is one obvious candidate but a proliferation of such diplomas might well reduce the status of a Final examination to that of an Intermediate examination, and that of an Intermediate examination to a mere preliminary skirmish. That would never do.

## Scottish Institute's Budget Suggestions

THE pre-Budget submissions to the CHANCELLOR OF THE EXCHEQUER from the Council of The Institute of Chartered Accountants of Scotland contain some very sober and compelling suggestions.

The Council's memorandum begins with the topic of administration of the income taxes and puts forward the proposition that the appeal commissioners, General or Special, should be precluded from considering appeals or reaching decisions where there is in existence an agreement between the Inspector of Taxes and the taxpayer (or his agent) that the case be adjourned. The second suggestion under this heading is one which the Council made last year, namely, that the design of income tax forms be improved. In support of this the Council makes reference to a case where the Special Commissioners received from an Inspector what purported to be a copy of a taxpayer's return but which was, in fact, discovered to be a composite document made up from copies of parts of two separate returns by different taxpayers, but not, however, before the Special Commissioners had issued an assessment to one of the taxpayers which included income of the other. Certainly the modern income tax return form, although convenient to handle, does not readily lend itself to photo-copying. Some of the pages do not contain any indication of the name of the taxpayer.

To this, we would add our own plea that something ought to be done about notices of assessment which are issued with carbon on the reverse side. With one of these in a bundle of correspondence, it is almost impossible to write anything without involuntarily reproducing a copy on the next document below the notice of assessment.

New in the memorandum is the Scottish Institute's suggestion that the time has now arrived for a reconsolidation of the Income Tax Acts. The Council points out that the volume of legislation since the last consolidation, eleven years ago, is almost as great as (if not greater than) the legislation of the first 110 years of income tax. Criticism of the unnecessarily com-

plex provisions of the new Case VIII tax on rents has already appeared in these columns, and the Council's plea for simplification of these provisions is entirely justified. The Council contrasts the Case VIII provisions with the simplicity of the change-over of farming from Schedule B to Schedule D. As a necessary precursor of consolidation the Council recommends a revision, on the lines suggested by the Royal Commission, of the various anti-avoidance provisions which have been proliferating over the past forty-odd years and which are a source of hardship and inconvenience to the innocent.

The Scottish Institute is right in continuing to advocate a depreciation allowance for commercial buildings. As it says, the recent increase in allowances for industrial buildings emphasizes the difference in treatment. The memorandum comes back to the charge on the inequity of the decision in *Bidwell v. Gardiner* (39 A.T.C. 83), which is only another example of the inequities arising from the *Law Shipping* case.

Another cause of complaint is the unfavourable position of investment companies in relation to the carry forward of excess charges and unrelieved bank overdraft interest. The Council can see no logical reason why both trading companies and investment companies should not be treated in the same way.

The memorandum draws attention to a remarkable situation in relation to subvention payments. The Inland Revenue regard as ineligible for relief any payment made to a company after it has ceased to trade, in respect of a deficit arising while it was trading. The Council suggests that even if this is correct, on the legislation as it now stands, the result is illogical and unintended. Moreover, it could cause inequity to the Revenue where, broadly speaking, the boot is on the other foot.

Finally there is that hardy annual of pre-Budget submissions: a plea for the liberalization of the Schedule E expenses rules, on the lines suggested (now long ago) by the Royal Commission. One wonders what is the point of having a Royal Commission on such a technical subject if its principal recommendations are ignored.

## Battle of R.P.M.

BY the end of the present Parliament the Government will have enacted its proposals for the abolition of resale price maintenance. The case for abandoning the practice is certainly well-established. It is undeniable that prices are kept higher than they would be without resale price maintenance, albeit in some cases only marginally. More serious is the charge that it retards and may even stultify the development of an efficient and economic system of retail distribution. The enforcement of section 25 of the 1957 Act has meant that effective competition between retail distributors has been severely restricted. How much more rapid would the growth of self-service in fields other than the grocery trade have been without resale price maintenance? To what extent would direct mail order selling and discount houses have established themselves in Britain in the absence of section 25?

It is, to put it no more strongly, regrettable that the Government spokesman could not have given some clearer indications of the form the proposed Bill will take. It would appear that the Bill will be based upon the general presumption that resale price maintenance is against the public interest, unless any particular trading or manufacturing interest can satisfy the proposed tribunal that exemption for its products is merited. However, it also seems clear that pending the outcome of an appeal, the manufacturer will be entitled to continue to enforce the existing prohibition on price-cutting in respect of his goods on any retailer or distributor who wishes to under-sell his competitors. Already there are hints that the affected interests propose to exploit this provision by inundating the tribunal with appeals. It seems, however, that the Government is of the opinion that there will not be so large a number of appeals as to delay matters unduly.

It is a matter for conjecture what the effects of abolishing resale price maintenance will be, both in respect of the pattern of retail distribution as well as the level of prices to the consumer. There are still large areas in the confectionery and pharmaceutical trades, in alcoholic beverages and tobacco products, as well as clothing and consumer durables where the practice is strongly entrenched. THE PARLIAMENTARY SECRETARY TO

THE BOARD OF TRADE quoted an estimate to the effect that about 40 per cent of consumer expenditure was affected by resale price maintenance. It is by no means certain that the effect of removing resale price maintenance will affect all classes of products uniformly. Nor does it follow that the most intensive competition will be felt by the grocery and provision stores from the self-service stores. Rather it is in the field of consumer durables such as cars, motor accessories, electrical goods, etc., where the discount house or mail order house, unburdened by heavy overheads of a central location in major cities, will be in a position to supply quality branded goods at prices substantially below the average shop where after-sales service is still offered.

In the field of shops the biggest problem may be the exploitation of the 'loss-leader' technique aimed largely at killing off the smaller competitor. The offer of spirits and cigarettes at substantially reduced prices by one store indicates the shape of things to come. It is idle to pretend that the counter to this technique lies in similar price cutting by the specialist shops which cannot offset the lower profit margins on such goods by higher turnover on other ranges. After all, if the Restrictive Practices Court felt that the book trade's survival was threatened by the abandonment of restrictive price agreements, what happens to the off-licence? And if the Government is unwise enough to argue social considerations in support of its policy, can it not equally be argued that the small shopkeeper is part of the backbone of Britain?

Although the resale price maintenance proposals have received more publicity than the promised White Paper on monopoly and the promised legislation thereon for the next Parliament, it is probable that the latter legislation could exert a much greater influence upon the United Kingdom economy than the disappearance of resale price maintenance. Mergers, it has been stressed, are not against the public interest *per se*. It seems possible that a new era of consolidation within British industry lies ahead. It is equally likely that some manufacturers may enter the retail lists. Only one thing is certain; the battle has barely begun, only the trumpets have sounded.

# Liability for Fraud

by ROBERT W. V. DICKERSON, B.COM., LL.B., C.A.(CANADA)  
of the British Columbia Bar

PROFESSIONAL accountants are generally aware that the practice of accountancy carries with it some degree of risk for negligence. The possibility of liability for fraud has received less attention and, happily, it is true that there are few cases in which an allegation of fraud has been brought against an accountant. Such a state of affairs speaks well of a profession which, though it throws up its quota of careless members, has very few dishonest ones in its ranks. Yet it may perhaps do no harm if a note of warning is sounded now and then, if only to prevent an undue complacency over the dangers of a fraud action.

## The Nature of Fraud

Complacency about fraud is likely to arise out of a feeling that fraud is entirely a matter of criminal law, and is founded upon a degree of dishonesty or moral turpitude quite unthinkable in a member of a profession whose byword has always been integrity. But civil fraud can arise out of circumstances which would not sustain a criminal charge, and the consequences to a professional man if a claim founded on fraud is established against him can be almost as shattering as if he had been convicted in a criminal Court.

Fraud is seriously regarded in English law and its use as a cause of action has been confined within strict limits. The House of Lords laid down in *Derry v. Peek* ((1889) 14 App. Cas. 337) that in order to establish fraud there must be proof that a false representation has been made either (1) knowingly, or (2) without belief in its truth, or (3) recklessly, careless (i.e. not caring) whether it be true or false. Thus there must be an intent to deceive, and if this is shown it is immaterial whether the motive for the deception was good or bad. The representor must have had no genuine belief in the truth of his assertion, mere carelessness, even recklessness, in the gathering of facts which are stated to exist will not sustain an allegation of fraud. But there are different degrees of carelessness, and if a representor deliberately avoids facts that would be found on investigation, a Court could conclude

that there was no reasonable ground for making the statement, and thus that the representor did not truly believe that which he asserts.

## American Jurisprudence

As far as I am aware there are no reported Commonwealth cases in which an accountant has been sued in fraud for gross carelessness or recklessness in the performance of his professional duties. In the United States, however, the subject has received an airing. In the *Ultramares* case (see *The Accountant*, October 26th, 1963, pages 520-524) the claim against the accountants in negligence was dismissed, but a new trial was ordered and the case sent back to the jury for decision on the issue of fraud. In ordering the new trial the Court of Appeals said that negligence or blindness, even though not equivalent to fraud, may be evidence that would sustain an inference of fraud, at least if the negligence was 'gross'.

It had to be determined whether the accountants' certificate stating that, to their knowledge, the balance sheet of the client company was in accordance with the books of account was true or false, for the jury might well hold it false. As a matter of law, the Court pointed out, if the statement was found by the jury to be false, the accountants would not be exonerated because they believed it to be true. Expanding on this point, the Court said:

'Correspondence between the balance sheet and the books imports something more, or so the triers of the facts might say, than correspondence between the balance sheet and the general ledger, unsupported or even contradicted by every other record. The correspondence to be of any moment may not unreasonably be held to signify a correspondence between the statements and the books of original entry, the books taken as a whole. If that is what the certificate means, a jury could find that the correspondence did not exist and that the defendants signed the certificate without knowing it to exist and even without reasonable grounds for belief in its existence. The item of \$706,000, representing fictitious accounts receivable, was entered in the ledger after defendants' employee Siess has posted the December sales.



He knew of the interpolation, and knew that there was need to verify the entry by reference to books other than the ledger before the books could be found to be in agreement with the balance sheet. The evidence would sustain a finding that this was never done. By concession the interpolated item had no support in the journal, or in any journal voucher, or in the debit memo book, which was a summary of the invoices, or in anything except the invoices themselves. The defendants do not say that they ever looked at the invoices, seventeen in number, representing these accounts. They profess to be unable to recall whether they did so or not. They admit, however, that if they had looked, they would have found omissions and irregularities so many and unusual as to have called for further investigation. When we couple the refusal to say that they did look with the admission that if they had looked, they would or could have seen, the situation is revealed as one in which a jury might reasonably find that in truth they did not look, but certified the correspondence without testing its existence.'

In essence the issue was whether the accountants had made a statement as true to their own knowledge when, as a jury might find, they had no knowledge. A failure to follow up with extensive inquiries once suspicions are or should be aroused may lead to a conclusion that there was no sincere belief in the opinion expressed.

### Negligence

In *State Street Trust Company v. Ernst* ((1938) 278 N.Y. 104; 15 N.E. 2d 416), another action in fraud based on evidence of negligence was brought against a firm of accountants. In that case a creditor had loaned money to the client company on the strength of a balance sheet which had been certified by the defendant auditors in an unqualified report. The defendants had delivered ten copies of this balance sheet and report to their client, and knew that these were to be used to obtain credit. About a month later the accountants sent another copy of the balance sheet to their client, but in this case a note was appended to the balance sheet stating that it was subject to further comments contained in an attached letter. The letter pointed out, among other things, that the provision for uncollectable accounts was very inadequate, and it was this fact that contributed largely to the client's subsequent bankruptcy. Once again, the Court said that accountants could be liable to third parties even in the absence of deliberate or active fraud, because heedlessness and reckless

disregard of consequences may take the place of deliberate intention. The plaintiff had made out a prima facie case of fraud against the accountants, and a new trial was ordered.

Fortunately there no longer seems to be any possibility that such cases, founded on fraud, will arise in the future, at least not in Commonwealth countries. Negligence was clearly proved in both American cases, and if it had not been for the rule of law that authors of negligent misstatements were not liable in the absence of a contractual or fiduciary relationship with the readers of the statements, allegations of fraud would never have been made. The recent decision of the House of Lords in *Hedley Byrne & Co v. Heller & Partners Ltd* (see *The Accountant*, October 26th, 1963, pages 520-524) extending the liability for negligent misstatements seems to close the door firmly against the American practice of using fraud to avoid a limitation in the law of negligence.

### Employees' Fraud

Another kind of 'accidental fraud' to which an accountant may be exposed can arise out of the conduct of his employees. The smaller accounting firms which sometimes supply book-keeping or other clerical assistance to their clients may be the most vulnerable in this regard, but a dishonest audit staff member who, for instance, does his work so as to assist the fraud of a client's employee or to prevent its detection, also creates risks for his principal. A principal is liable for the fraud of his agent if the agent is acting within the scope of his actual or ostensible authority when he commits the fraud, and it makes no difference that the fraud is committed for the sole benefit of the agent and the principal takes no benefit from it. This rule was established by the House of Lords in *Lloyd v. Grace Smith & Co* ([1912] A.C. 716), a case in which a solicitor's clerk tricked a client into conveying her property to him, after which he appropriated the proceeds of sale. The clerk was authorized to deal with conveyancing matters, the client dealt with him as a representative of his principal, and the principal has to answer for the consequences of his employee's conduct.

The law says that a wrongful act by a servant will have been done in the course of the servant's employment if it is either a wrongful act authorized by the employer or a wrongful mode of doing some act authorized by the employer. If

neither of these two tests can be satisfied, the servant will be held to have acted independently, and the employer will not be responsible.

### Subtle Distinction

The distinction between acts done in the course of employment and those done independently can sometimes be extremely subtle. In the Canadian case of *Durable Tire Retreaders v. Earle et al.* ((1961) 26 D.L.R. (2d) 490), for example, a public accountant was engaged to supply book-keeping services to a client. The defendant accountant assigned two of his employees to work in the client's office, and their duties included the task of preparing cheques to be signed by the client's manager. After signature the employees raised the amount of some of the cheques, or added the word 'cash' in such a way that they could misappropriate the client's funds. Entries would then be made in the books to conceal the fraudulent withdrawals. The Court held that the defendant could not be held responsible for the fraud of his employees:

'Neither Earle's contract nor the course of the employment of the women extended to the cashing of cheques drawn by Fritz (the client's manager) - nor did either of his servants have authority from Earle to pick up the bank statements and cancelled cheques, though they did have authority from Fritz to do so.

'I find as a fact that the course of employment extended only to the preparation of cheques in accordance with established practice in payment of monthly bills payable by the company as shown by its books, their presentation to Fritz for signature, and their subsequent dispatch to the creditors in question; in particular it did not extend to the making of cheques in amounts unrelated to the accounts payable as shown by the books, or the negotiation or cashing of any cheques drawn by the company. I find also that the employees in question had departed from the course of their employment when the cheques, in a form susceptible to alteration so as to falsely represent the transactions to which they purportedly related, were prepared and presented to Fritz as steps in their execution of the fraudulent scheme to procure their proceeds when so altered. Moreover, I find that the acts of alteration and negotiation of the cheques and the manipulation of the books to conceal their effects were acts unconnected with the course of their employment.'

### Client's Fraud

The third category of fraud is the one that comes most readily to the mind of the accountant. This is the fraud that is committed not by himself or

his employees, but by a client's staff. An auditor may or may not discover the fraud in the course of his audit. Fraud of the kind discussed here is not important because it is fraud, but because the auditor's failure to detect it may be evidence of his negligence.

An auditor can be held legally responsible for a failure to detect fraud only if it can be said that the failure to detect it arose out of his negligence in performing his audit duties under his contract with his client. Ordinarily, the detection of fraud is not the chief purpose of an audit, and unless the ordinary audit procedures show up something which an alert auditor should think suspicious, he will not be expected to initiate special procedures or to undertake detailed examination purely on the possibility that there may be fraud. Thus an auditor, in the ordinary course of events, will not be held liable for failing to detect an ingenious fraud when an ordinary audit examination discloses no reason to suspect fraud.

I venture to say that most clients and the public generally do not appreciate that the auditor is not primarily a financial detective. In the popular imagination an auditor is seen as a rather humourless bloodhound, relentlessly following the trail of a light-fingered cashier or book-keeper. If a client has a picture like this in his mind, it is easy to see how unpleasant misunderstandings could arise if his auditor does fail to turn up a scheme of fraud in the client's office. A large part of the blame for this misleading image must attach to accountants who do not take the trouble to make it plain to their clients exactly what the audit is designed to accomplish. All too often the audit engagement is agreed upon informally, and is automatically renewed from year to year without either party knowing what is in the other's mind.

Of course, it is probably also true to say that the exaggerated aura of drama which the public accords to the auditor's work has its advantages. For one thing it may help to keep the auditor from becoming indifferent to the possibility of fraud. The auditor who does detect a fraud cuts a mildly heroic figure, and this may unconsciously influence him to pay close attention to the areas in which fraud is most likely to occur. Secondly, the idea that a scheme of fraud, however ingenious, will inevitably be found out by the auditor has probably deterred many an employee who might otherwise have been inclined to give way to temptation.

### Special Investigations

When we turn from the usual type of audit examination to the one where an auditor is engaged to investigate an already present suspicion of fraud, the case is very different. If an auditor is specifically engaged to investigate a suspected fraud, his work should from the outset be shaped to suit that objective. If in spite of this he fails to detect the fraud, it will be much harder for him to show in a court of law that he

has not been negligent. He would be negligent if he failed to do all that any capable auditor would do when engaged for the specific purpose of detecting a fraud.

In either type of audit engagement the question of whether an auditor has or has not done his work negligently therefore resolves itself into a simple question of fact. That is, did he or did he not, do what he should have done in the circumstances before him, bearing in mind the nature of the task he was engaged to perform?

### A EUROPEAN CONGRESS PAPER

## The Public Accountant's Contribution to Small Businesses

by A. STANLEY BOYD, F.C.A.

(The Institute of Chartered Accountants in Ireland)

FOR the purposes of this paper, the term 'accountant' is taken to refer to the professional accountant carrying on general practice in Great Britain and Ireland, and the term 'small business' to refer to concerns which on account of their size do not employ skilled accountancy staff.

In general terms, the continued success of any business in a competitive community is dependent on its ability to fulfil customer requirement in an efficient manner so as to result in earning a profit.

In the small business it is the case that the proprietors, whilst often technically qualified to carry on the business, lack proficiency in matters requiring general or special business or financial knowledge. Since it is not economically possible for this knowledge to be available by employing full-time staff, the proprietors of the small business have to seek it from outside sources including the practising accountant.

This paper sets out to consider the dual problems:

- (a) What contribution can the accountant make to the small business?
- (b) How can the accountant best organize himself to make that contribution?

What follows purports to be only a general survey of what the accountant can reasonably expect to do, and how he may go about it.

### Services given by Accountants

In its early days the accountancy profession in the British Isles was mainly concerned with insolvency work. With the rapid development of the economy, the introduction of the limited liability company and the growing incidence of taxation, the services of the profession were brought into prominence. The practising accountant is now expected to be able to advise on virtually any business problem of a financial nature.

The services given to industry and commerce by members of the accountancy profession are so varied and comprehensive that it would be impossible to enumerate all of them in detail, but those which the small business man looks for range from matters requiring only a general knowledge of local affairs, to those requiring a high degree of professional skill and a particular knowledge of the business concerned. A few of the services most in demand are:

- Book-keeping assistance and advice;
- Preparation of accounts;
- Reports to management on interpretation of accounts;
- Taxation guidance;
- Costing;
- Secretarial assistance;
- Management advice, particularly concerning accountancy matters and finance.

In addition, the practising accountant acts as auditor of the small business and makes a very real contribution in that capacity. Not only are many small businesses carried on by limited liability companies, for which audit is mandatory, but methods of financing businesses are many, and in the small business it is frequent that at least part of the permanent capital is obtained from persons not engaged in the day-to-day activities of the business, who are entitled to, and must be given, financial reports.

Assistance with taxation affairs and the preparation or auditing of accounts are normally services of a historical nature, and up to the present have been the main services asked from the practising accountant by small businesses.

Costing and management accounting services are positive services, but small businesses have tended to seek advice on these only to a limited degree.

With taxation assistance, auditing and the prepara-

tion of accounts as the basic service to the small business, it is in the nature of things that the accountant has organized himself and his staff to secure the means to fulfil them in an efficient manner.

Often allied to the basic services, and indeed frequently supplementing them, the practising accountant undertakes, amongst other duties:

- (a) Secretarial work – looking after the small limited company in its day-to-day requirements under company law – keeping the records of members, directors, etc., which are required by the Companies Act, recording the issue and transfer of shares, filing returns with the Registrar of Companies – in general carrying out the duties undertaken by the full-time secretary employed by larger concerns.
- (b) Tax planning. By virtue of his position as accountant and the experience accruing to him from his training and practice, the professional accountant should be able to guide his client not only in securing the proper settlement of his taxation liabilities, but also in arranging his affairs so as to attract a minimum of taxation. Such guidance could arise both in the case of taxes on income and in the case of taxes on capital including estate duty.
- (c) Office organization. The adviser to the small business should in the first instance see that proper and sufficient records are kept by his client and if there are defects should make the recommendations necessary to remedy them. Further, it is frequently the case that he will be asked to consider the business and advise on the office organization and procedure.
- (d) Guidance and assistance on the formation of companies and partnerships.
- (e) Advising upon, and indeed entering into negotiations for, the purchase or sale of businesses.
- (f) Valuations of the goodwill in or shares of a business for various purposes, including sale/purchase and taxation by way of stamp or estate duty.
- (g) The preparation of statistical and other returns.
- (h) Insolvency work – advising his clients in the event of their financial difficulties, as well as assisting them in making claims on the failure of their debtors. Such work will frequently be undertaken in close consultation with the clients' legal advisers.
- (i) Investigations arising out of fraud or misappropriation.
- (j) Advising on reorganization or amalgamation of businesses.
- (k) Acting as arbitrator on disputes referred to him for award.

It is unfortunately true that many professional firms do not attempt to give their clients all the assistance which might be expected, and that few firms can claim 'perfect service', if such indeed is possible. This may be due to many factors, not by any means least being the heavy pressure on the practising accountant's time, and the difficulty of obtaining and retaining skilled staff.

For whatever reason, the profession in general has concentrated on the basic or historical services, and has to a large extent neglected the progressive services, such as cost and management accounting.

### Specialization

The increased status and rapid expansion in the scope of the profession has produced its problems for the practising accountant.

Each different type of work has become more and more specialized whether it be in connection with the flotation, reconstruction or liquidation of companies, or in the maze of taxation legislation and case law which becomes more confusing each year as avoidance devices are counteracted by anti-avoidance measures, producing unforeseen effects on the innocent as well as on the smart operator.

The impossibility of one man being able to master and remain master of all the varied subjects now required by a practising accountant has led to a marked reduction in the number of small and one-man practices, and to a tendency towards amalgamation into larger units, in which each partner can specialize, at least to some extent, in one or more subjects. This leads in the larger units to specialized departments dealing with such subjects as taxation, company formation and investigations, management accounting, and so on. Greater specialization must lead to more efficiency but with some consequent loss of the personal touch which is perhaps the strongest link between the smaller provincial practitioners and their clients.

The future structure of the profession depends on how the specialization problem is solved.

The trend in business for increasingly larger units to absorb the smaller units undoubtedly, in most cases, gives increased efficiency and keener prices or higher profits, but results in the loss of the personal relationship between the proprietor and his customer, and a tendency for all buying to be centralized wherever the headquarters of the group are situated, with consequent centralization also of the ancillary services of a professional nature such as insurance, law and accountancy. This again breaks local ties and contacts and concentrates accountancy work with firms in the large centres of population, with a consequent drift away from the smaller provincial firms.

The average practising accountant is so busy with matters of routine and the ever-increasing problems of his clients that he has little time to specialize or keep himself completely up to date with the latest

developments in the profession, both theoretical and practical.

He must therefore find some means of making available to his clients the best specialist advice on any particular subject.

As in the business world, the present tendency is for the large firms of accountants to grow larger and have their own specialist departments for taxation, management accounting, etc., and for the medium-sized firms to amalgamate or co-operate to create a unit large enough to justify specialization and provide their clients with the services of experts in particular fields which by themselves they are not in a position to do.

What of the smaller firm, particularly in the less populated areas, which could not support specialization to this extent?

The problem has been tackled in different ways.

- (a) When specialist advice is required, one of the large firms with the necessary facilities has been asked to advise.

So far as the small firm is concerned, this always carries the risk of a loss of business, as no matter how honourable are the undertakings of the large firm not to accept the audit or other professional work unless requested to do so by the smaller firm, the client may decide after his experience that he wishes to make a change in order to get better service; even if his audit or other professional work is not accepted by the larger firm he may transfer it to some other large firm.

- (b) Some senior members of the profession have set up as consultants in particular subjects. They do not carry out any ordinary audit or accountancy work, and this considerably reduces the natural fear of a practitioner in engaging their services.
- (c) Firms consisting of qualified accountants have been set up, completely independent of any practising accountants, for the purpose of supplying management or other specialist services. They do not undertake ordinary audit or accountancy work.
- (d) Groups of medium-sized or smaller firms have, either in partnership or in some other form with unlimited liability, set up an organization providing trained employees to give specialized services in particular fields. The services are available primarily to the constituent firms but in some cases are made available to other practising accountants.

#### **How is the Profession to give the most efficient service in future?**

In spite of the tendency towards larger and larger specialized units, there will always be a special and honoured place for the small practitioner who knows not only his client's business but all his personal and

family affairs, and who can advise not just in the light of what the figures may show, but with intimate knowledge of his client's background and the local considerations.

The services expected of and given by the practising accountant have multiplied beyond belief within a generation and the rapid developments in electronics and machine book-keeping open up possibilities of future specialization in fields not only of accountancy and management but even to some extent of engineering, in so far as it affects production methods and electronic calculation and book-keeping.

The basic question facing the profession at present is whether there is a limit to the services which the recognized practising or public accountant should offer, and if so, how or where that limit should be set.

At present the only limits would appear to be those set by other recognized professions, either by statute or custom, and where it is clear that to accept certain work would be trespassing in the sphere of that other profession. In the absence of legislation restricting the public practice of accountancy to properly qualified persons, the accountancy profession itself is not in any way protected from competition from any source, and must rely on its own high reputation and the public image which it creates; these are dependent on the quality of the services which it offers and the gradual education of the public by means of the profession's own public relations service, which may well have been too conservative in the past.

Certain advances have been made, particularly in company legislation in Great Britain and Ireland, to restrict the appointment of auditors to properly qualified accountants, but until this trend has been considerably extended, virtually to the point of Government registration with a licence to practise, the profession will not be in a position to plan its own structure, and individual firms must continue to deal in their own way with changing demands and competition from all sources.

If, as the author believes, the profession should seek statutory recognition and registration, it would be interesting to consider what particular services should reasonably be restricted to qualified accountants.

It is obvious that the freedom of the individual to seek advice on any subject from any source must be preserved, but where certificates of any kind are required, whether they be statutory as in the case of limited liability companies, or for Government purposes, either for obtaining grants of public money or for taxation purposes, it would seem reasonable that these should be given only by properly qualified persons who are not permitted to advertise, canvass or solicit business and who are answerable for their ethical professional conduct to a properly constituted ruling body having disciplinary powers over them.

The effect of such recognition would be to restrict

the field of auditing and to a large extent the settlement of taxation liabilities to qualified accountants, but to leave open the services which are of a purely advisory nature.

As things are today anyone can open an office and call himself an accountant, so that this recognition would probably be of greatest benefit to the smaller provincial practitioners who are constantly faced with competition, in some cases quite unfair, from 'accountants' whose professional qualifications may well be either nominal or non-existent, and who are dealing with small clients who probably do not appreciate the significance of professional qualification.

While the effect would be to direct what has always been regarded as 'accountancy work' to the qualified practitioner, it would not change the present position on what might be termed the specialist fringe work such as management consultancy. This type of work in many cases involves the advice of professions other than that of accountancy, and cannot be claimed to be pure accountancy, although there is generally accountancy work involved, and it probably falls more into the accountancy than into any other sphere. To compete in this field means specialization and probably the employment of specialists from other professions. As stated earlier, the problem is being tackled either by the formation of specialist departments in the larger firms, or the formation of consortia of smaller firms in the provinces, so that specialist services can be made available to their clients and to other practising accountants in the area if so requested.

This development may meet the need in so far as management consultancy is concerned, but does not solve the problem of the smaller practitioner in getting specialist advice for his client on such matters as taxation and estate duty.

Admittedly, the senior members of the profession are usually ready and willing to discuss professional problems with any of their colleagues in the area and to give advice generally; this is almost always done on an *ex gratia* basis, and for this reason among others it does not always commend itself to the accountant seeking advice.

The same problem exists in the United States of America, and an effort has been made to meet it by setting up voluntary panels of practising accountants in some States, who offer to meet any colleague looking for advice, and to assist on the basis that a fee is payable if the time involved is material. The experiment has proved useful and, on the results of pilot panels set up, it is likely to be extended to other States.

From the small practitioners' point of view the ideal structure for the profession would probably be along the lines of the medical and legal professions. The general practitioner would be in a position to call in a second opinion for specialist advice on any particular problem, such advice being available only through general practitioners and the specialist not being in

general practice. This structure would entail the establishment of individual chartered accountants or partnerships to practise as consultants only. It is obvious that the individuals concerned would require to have had reasonable experience either in practice or in a practising accountant's office, followed by specialization in some particular field, and there would have to be reasonable financial prospects to attract good men out of general practice.

If this is considered to be the right professional structure the accountancy bodies might encourage members to specialize in particular fields by providing, either themselves or in co-operation with other professional bodies, opportunities for advanced studies and possibly by awarding postgraduate diplomas.

The question of subsidizing either directly or indirectly advanced studies of this nature and even the setting up of a panel of suitable consultants in the first instance might be seriously considered.

There are undoubtedly great practical difficulties in setting up such a structure, but the advantages to the profession, not only in the services which it could give to the public but also in the field of research, should be invaluable.

Ultimately the advantages of such a structure should accrue even to the large firms with their own specialized departments, as the 'two tier' structure would make available a choice of independent experts, and would mean that they would not have to depend entirely on their own specialist employees.

There are at present a number of consultants within the profession, not only in the field of management but also in costing, taxation and the like. As these consultants cannot advertise, the services which they offer are not generally known and it would be most helpful to the small practitioner to be supplied with a list of qualified accountants practising as consultants, stating the field in which each such consultant specializes.

The encouragement of independent consultancy services, and reasonable publicity within the profession about the services available, would do much to encourage the growth and use of the services and would make the smaller practitioner feel that he is not quite so much 'on his own' and that, when necessary, he can get specialist advice without trespassing on the goodwill of a colleague.

In spite of the trends of expansion and diversification in the business world, the bulk of business is still done by small firms which look for help and advice to their auditors and accountants.

The help demanded increases from year to year, and it is a tribute to the profession that in general the accountant holds such a position of trust and confidence in the community.

The need for specialization grows rapidly, and the professional bodies must play their part not only in reviewing their examinations to keep them abreast of the times, but also in endeavouring to see that the members are given all reasonable assistance to meet the demands made upon them.

# New Management Accounting Qualification

## JOINT POST-QUALIFICATION DIPLOMA

**P**LANs to establish a joint post-qualification diploma in management accounting services by the English, Scottish and Irish Institutes of Chartered Accountants, The Institute of Cost and Works Accountants and The Association of Certified and Corporate Accountants, were announced at a special Press conference in London this week.

Pointing out that it was essential to the search for higher productivity and greater efficiency that industry should make more intensive use of the techniques of management accounting, the Councils of the bodies concerned have put forward their proposals in 'a common desire to encourage the study and improve the practice among their members of the subjects which may be broadly described as management accounting services'.

### Definition

By management accounting services is meant the application of accounting knowledge for the purpose of organizing, selecting, compiling and presenting accounting, quantitative and statistical information derived from all the relevant records of a business to assist those responsible for management in controlling the business and in the making of day-to-day decisions and in the formulation of policy, together with the application of knowledge and experience of:

- (a) techniques for the organization, control and measurement of production and ancillary ser-

vices and for the control, measurement and remuneration of human effort;

- (b) commercial and management practices; and
- (c) office organization, methods and equipment.

The holders of the diploma will have passed a written examination of a very high standard; they will have satisfied a joint interviewing board that over a period of years they have had wide practical experience of management accountancy; and they will have written and been orally examined on a thesis. The minimum age for the award of the diploma will normally be 31 years.

### Designatory Letters

The use of designatory letters (yet to be indicated) by holders of the diploma is to be permitted. The diploma will be awarded automatically to the 202 holders of The Institute of Cost and Works Accountants' Fellowship in Management Accounting. (The Fellowship was discontinued on revision of the I.C.W.A. syllabus last year.)

The scheme for a jointly-administered post-qualification diploma in management accounting services requiring a high standard of examination and experience and open to the members of all five bodies has now been approved in principle by their Councils. The Council of each body will submit and recommend details of the scheme, together with the resolutions



At the Press conference last Monday (left to right): Messrs J. T. H. Macnair, M.C., B.A., C.A., W. L. Milligan, B.A., J.P., C.A., W. G. Densem, F.C.A., R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., C. E. Power, F.C.A., F.C.W.A., A.M.B.I.M., W. S. Risk, B.COM., C.A., F.C.W.A., V. R. Chennell, F.A.C.C.A., C. M. Jennings, F.A.C.C.A., F.C.W.A., A.C.I.S. Due to delay by fog, Mr R. P. F. Olden, F.C.A., and Mr J. Love, F.C.A., of the Irish Institute, were unable to be present.



necessary to secure its adoption and implementation, to their respective members for their approval, and subject thereto will apply where necessary to the

appropriate authorities for confirmation of any consequent amendments to the Royal Charters and bye-laws or memorandum and articles of association.

## Certificate in Management Information

At the same time the Councils of the English and Irish Institutes announced that in order to provide an incentive to the general body of their members to study in the field of management accounting services, they have decided to recommend to their members the introduction of a new examination therein. This examination would not be so advanced as the examinations for the Joint Diploma and could be taken in the early years after admission to membership and (unlike the examinations for the Joint Diploma) without the condition that candidates must have practical experience in management accounting services.

The syllabus for the examination would cover business organization and administration; design of systems and data processing; the use of analytical and statistical techniques in providing management

information; and financial management and the use of accounting information. Post-qualification practical experience in these subjects would not be a condition of entry for the examination. The proposal is that the successful candidates would be awarded a 'Certificate in Management Information' but without any designatory letters to indicate the holding of that certificate.

It has already been announced that a special meeting of members of the English Institute is to be held on April 8th, to consider full details of the proposed new examination and the proposed Joint Diploma and the necessary resolutions to enable the Institute to participate in these schemes.

These matters are the subject of a leading article on another page.

## Weekly Notes

### DANGERS OF ECONOMIC PREDICTION

**G**UESSES, estimates and provisional forecasts are in order so long as the assumptions, qualifications, gaps, doubts and persuasive intent are written in larger type than the statistical claims.' Thus comments Mr Ralph Harris in the second Occasional Paper, published on Monday, of the Institute of Economic Affairs entitled *Growth, Advertising and the Consumer* (2s net). Unfortunately, as he goes on to argue, this type of propagandist planning often takes on the worst features of modern advertising. Few members of the public are aware of the difficulties inherent in making economic plans. Mr Harris asserts that the publicity given to Neddy's programme for 1961-66 contrasts markedly with the reticence displayed over the restrictive practices throughout British industry and trade which, if removed, would do more to stimulate economic growth than any plan.

Mr Harris points out that if market forces are allowed free play, they will ensure an allocation of resources corresponding more closely to consumer wishes than any planning system. Furthermore, although the pricing mechanism may not always work smoothly, since it operates through millions of individual decisions it is less likely to produce the situation in which an incorrect assumption underlying a national plan can cause chaos. Mr Harris observes in passing that the Steel Board's projection of potential demand

for steel made in 1957 was hopelessly wrong; likewise Sir Donald MacDougall's classic study *The World Dollar Problem*, illustrates just how impossible it is to predict international economic changes which can so markedly affect the United Kingdom economy.

In the author's opinion, advertising has a key role to play in the free economy by stimulating consumer demand and maintaining it at a high level, by encouraging innovation and new products. Contrary to the views of its critics, Mr Harris sees advertising as the means whereby the consumer may once again be 'king' of the economic system. This is a lively, well-written statement of belief in private enterprise. It is rounded off by an amusing satirical guide to current economic jargon, thus: 'Growth: a hopeful statistical addition to a doubtful monetary magnitude, but essential to keep up with the international Joneses'.

### RETAIL CONCENTRATION

**W**HATEVER the effects of the abolition of resale price maintenance may be, there can be little doubt that significant changes will take place in the pattern of retail distribution. It is therefore fortunate that the results of the 1961 Census of Distribution, which are gradually being published, provide a datum line against which future changes may be evaluated. Last week's issue of *The Board of Trade Journal* examines the census data in respect of the concentration of retail trade in the 272 main shopping centres which were distinguished throughout Great Britain.

The trade in the seven conurbations and cities with populations of over two hundred thousand



accounted for almost half the total retail trade in the country; of these areas Greater London accounted for £1,661 million out of a total for Great Britain of £8,919 million. The most interesting feature of the analysis is the extent to which trade is concentrated in the town centres. For example, in the case of London where the situation is exceptional, almost half the retail trade is done in the main shopping centres. Elsewhere the concentration of trade in the centre tends to be greater the smaller the size of the town in population, although this tendency is not so marked in some of the medium-sized towns. Thus, in Bedford 60 per cent of the total trade is done in the shopping centre, 66 per cent in Gloucester, 51 per cent in Cambridge and 44 per cent in Oxford. The comparable figures classified by reference to the type of trade vary much more widely. Among grocers and provision dealers the proportion of trade done in Lancaster's shopping centre is 22 per cent and in Lincoln 21 per cent; in contrast, the percentages for Maidstone and Worcester are 52 per cent and 42 per cent respectively.

The concentration is most marked in clothing and footwear, although it tends to be lower in the largest cities and highest in the smallest towns. The average for cities with over two hundred thousand population is 70 per cent, while in towns under fifty thousand it rises to 84 per cent. The census results confirm that average sales per shop, for retail trade as a whole, are much higher in town centres than outside them. This is only partly due to the concentration of department stores and other large non-food shops. There is also a marked difference in food shops; thus in several towns the average trade of grocery shops is over £100,000 whereas, for the country as a whole, only one in a hundred such shops enjoys such a turnover. While the multiple stores tend to dominate the town centres, the department stores, many of which are independent, still retain a substantial share of trade, although in Southampton, an exceptional case, the multiples dominate the scene with 87 per cent. Only in one other town is the figure even as high as 70 per cent.

#### REPORT ON 1964 OUTLOOK

THE National Institute of Economic and Social Research has issued a preliminary report on its Sixth Industrial Inquiry. This inquiry was carried out in December 1963 with the co-operation of the managements of 126 firms employing just over one million persons. Companies interviewed were in the metal using industries and in mechanical and electrical engineering. Motor vehicles were also included but aircraft and shipbuilding were not.

So far as 1964 is concerned firms were generally much more optimistic than they were a year ago about the outlook for 1963. Total orders on hand have recently risen sharply. Over 70 per cent of the firms working to an order book reported an increase in new orders in the last quarter of the year. Only 15 per cent reported a fall. A year ago less than

25 per cent reported an increase. The review points out that the order position is very much the same as in the last period of expansion towards the end of 1959 – a remark that is intended perhaps both as a comparison and as a warning. The boom of late 1959 and 1960 was followed by the recession of 1961 and 1962.

Companies making heavy capital equipment were the most pessimistic. Those making iron and steel plant faced a serious problem since the expansion of the iron and steel industry in the United Kingdom has come temporarily to a halt. Orders for chemical plant have not revived significantly and even in electrical engineering, as in industrial motors, there is not much sign of optimism yet. The general picture, however, is of rising activity. The Institute puts capacity utilization at the present time at about 82 per cent and anticipates that utilization by the end of 1964 will be between 85 and 86 per cent.

#### TIME FOR TAX REFORM

BRITAIN is still using a hand-operated tax system in an automated age, declares the Institute of Directors in its pre-Budget letter to the Chancellor of the Exchequer. The Institute argues that both the opportunity and the need exist to make an immediate start on modernizing the country's taxation system. 'We appreciate', states the Institute, 'that this year the opportunities for substantial new tax concessions may be very limited; but, if this is so, the case for making the next Budget an occasion for tax reform is surely very strong.'

Mr Maudling is praised by the Institute for 'bold and well-timed actions' that have led to a major improvement in Britain's economic position. Now, he is asked to pay attention to a sweeping overhaul of the tax system, taking in the introduction of a corporation tax for companies to replace the existing profits tax and income tax – graduated at the lower levels to give similar relief to the existing profits tax abatement provisions; the replacement of the preceding year basis of assessment by the actual year basis, so that over the life of a company it is assessed to tax on the actual profits it has earned, and a single graduated tax for individuals in place of the present income tax and surtax.

The capital gains tax is strongly condemned by the Institute as an imposition which is likely to yield little revenue and 'threatens to be a serious obstacle to London's position as a leading, if not the principal, capital market of the world'. Even if this 'barren and harmful' tax is thought desirable, the Institute comments, then a flat rate ought to apply.

#### PROTECTING TAX MEN FROM THEIR VICTIMS

TAXPAYERS in the United Kingdom frequently have to seek protection from the depredations of the tax men. It is interesting to hear that the latter in turn are seeking protection from taxpayers. The

Inland Revenue Staff Federation has arranged an insurance scheme to compensate Inland Revenue officials who are injured by assaults made by members of the public.

The general secretary of the Federation has stated that assaults on public officials including tax office personnel are rare but they do occur from time to time. He mentioned the case last year of an irate seaman with a knife who was said to have jumped over the counter at a tax office with the result that a tax officer had his face cut. Another instance occurred some time ago when an attack on a National Assistance Board officer resulted in his death. Outside tax offices, collectors and valuers going about their official business are also said to be exposed to danger.

The Federation says that it had to step in because the Treasury was 'so niggardly'. Sick leave arising from such an assault is not counted against sick leave entitlement but compensation payments are parsimonious in the extreme. The scheme provides for benefits up to £1,000 for death, or loss of limbs, with £10 a week compensation where an official is off work as a result of his injuries.

#### MORE BANK CHAIRMEN'S REVIEWS

**M**OST bank chairmen continue to be preoccupied in their annual reviews with domestic problems among which competition for deposits looms large. They are much concerned with costs and in welcoming the increase in the number of private accounts point out that small business is relatively more expensive to look after than large accounts.

Lieut-Col T. Marshall Brooks, of the District Bank Ltd, deals with the question of the banks offering more competitive rates on deposits. He points out that the structure of interest rates is highly complex and that a higher rate for bank deposits would mean higher levels of rates throughout the market including a sharp increase in the cost of overdraft facilities. He also deals with requests for a larger volume of a medium-term export credit, that is, lending with repayments spread over three to five years and sometimes even longer. He says that the commitments of the bank to this type of lending at an early stage in contract negotiations earmarks lendable resources for long periods of time before they are actually put to use. The decision of the Bank of England to agree to re-finance the part of the advances falling due for early repayment has been 'of material benefit' in helping to keep a sizeable sum of money revolving in that type of business.

Mr D. A. Stirling, chairman of Westminster Bank Ltd, says that although profits for 1963 show the need for higher earnings if banks' prosperity and growth is to be maintained, the question is how far can the banks afford to go in attracting deposits in the hope that there will be a consequent profitable expansion in the future. He notes, as previous chairmen have done, that bank deposits have failed

to keep in step with the increase in the gross national product. He goes on to say that the obvious suggestion is to pay higher interest rates but that this is an oversimplification of the problem. He also says that there will always be keen competition among banks and other undertakings bidding for deposits, and he indicates by inference that the banks are somewhat handicapped in competing with these undertakings owing to the strong liquid position which they are obliged to maintain.

Lord Monckton, chairman of the Midland Bank Ltd, deals more with the international activities of the bank but he, too, makes mention of the difficulty of increasing rates on deposits since these will lead to higher rates of advances and increases in other charges.

#### UNEMPLOYMENT PROBLEMS

**S**PEAKING at a private dinner given to leading members of the Liverpool community on Thursday of last week, Mr V. R. Chennell, F.A.C.C.A., President of The Association of Certified and Corporate Accountants, referred to that city's unemployment problems which he felt sure were bound up with the constant drift to the south-east of England - a drift which successive Governments had singularly failed to stop.

The basic fundamental that appeared to escape the Government planners, said Mr Chennell, was that London had a multitude of attractions which unfortunately continued to be irresistible. Surely the job of the national planners was to provide a series of Londons, in other words, a series of economically balanced regions out in the provinces and one place where they could start was Liverpool. This could be done, he suggested, by giving Liverpool and other selected provincial cities a proportion of those



At the Liverpool dinner: Mr V. R. Chennell, F.A.C.C.A., President of the Association of Certified and Corporate Accountants (left), with Mr B. J. Blanchard, F.A.C.C.A., President of the Liverpool and District Society of Certified Accountants.

Government departments such as the Ministries of Works, of Health, of Agriculture and Fisheries, and thus continuing a process already developed so notably with the Ministry of National Insurance in Newcastle upon Tyne.

These departments could function from outside London quite well, said Mr Chennell, and surely where the Government led by decisive action, industry and commerce would follow. All the additional spending power of these employees would be available towards creating a new reservoir of jobs and purchasing power. In addition, this consumer

spending power would materially assist in providing many more types of employment and would undoubtedly help the present pool of unemployables by the general stimulus to trade.

It was a national disgrace, declared Mr Chennell, that this lack of initiative on the part of the national planners should be tolerated, 'so let us therefore try to get the national planners back on to a basis of common sense, one of those qualities - along with those of initiative and enterprise - which produced such great Britons in the past and would continue to produce them in the future'.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 208

THERE are many other groups of professional experts who, like accountants, contribute their meed of talent towards the ultimate increase in net economy and productivity of our national industries. To these we pay full tribute as our comrades-in-arms in the unceasing battle for efficiency and for a higher living standard. They mean well, we feel; they do their best to help. Under our guidance, relying on our benevolent leadership and ungrudging support, they play their part.

It's rather a pity that sometimes they give us cause to wonder what part they think they're playing. They become more of a liability than an asset. Without their well-meant but inept contortions we'd get the job done quicker, better, easier, and more ably!

Take engineers, for example. These, it must be admitted, are a race apart. Men of undoubted skills; often weather-worn by exposure to nature in its rawest and non-mildest; men blissfully convinced of their mental superiority to the laymen surrounding them . . . well, there are men and men.

Consider our elderly company engineer who bears the overall responsibility for maintenance of our buildings, and the factory plant and machinery. Socially a cheerful, slangy extrovert with an unjustified faith in his ability to predict remunerative race-horses, he changes the moment he applies his talents to our workaday problems. His eyes harden, his jaw sets like a rock, his intellect petrifies in sympathy.

He sat there unyielding, in shapeless grey flannels and fleecy-lined leather jacket, impervious to the elements we had just faced together. He doesn't feel the cold, while I was chilled to the marrow after our tour of the foundations of our factory extension. 'Your forecast was £17,000', I was saying menacingly. 'The

contractors invoiced £38,300 and you approved the invoice without comment. Come on, what gives?'

'We enlarged the area,' he replied impassively. 'The deputy-chairman approved the new layout; I meant to tell you earlier.' I pointed out that for all the evidence we had to the contrary the bill might rightfully be £28,300. 'It might, but it's not,' he said. He spread a blueprint over his littered desk and traced unintelligible symbols. So much for additional concrete, so much for steel, so much for extra filling. 'Estimate £5 per cubic foot here and you won't be far out,' he asserted.

When I pointed out that in fact the average was rather more he nodded complacently. All that overtime, he explained; after all we pressed them to hurry. And then that trouble with the drains. It was clear to me that he considered detailed costs unnecessary; he works on nice large approximations to justify the figures; 'in or about' is good enough.

I decided to attack in flank. The rate for the additional job was excessive, I pointed out, it was identical with the original quotation. This was fundamentally inequitable. When the contractors prepared their first quotations they had to take into account all their overheads, their supervision, their office services, their cement-mixers, cranes and bulldozers on the site. The extra manual and/or material costs should at best have borne reduced overheads, if any. He didn't seem to get this argument so I tried again. Overheads already charged . . . no additional on extended work . . . not recoverable twice. The penny dropped at last. 'We've no option,' he said happily. 'They're in possession, we have to accept whatever they charge. They make their profit on the extras, you know.' He broods companionably for a moment. 'They have to live, too.'

While I wondered whether he was for us or against us he came to life suddenly. 'I softened their cough last week,' he beamed. 'They'd charged for 14 inches of concrete in the trenches, as per specification; I checked them all, and found only 4 inches. Know how many £s they saved on that? They're born swindlers.'

Maybe he has his uses after all.

# Finance and Commerce

## Building Society Problem

THE extract from the accounts of The City of London Building Society which provides this week's reprint gives an idea of the problem facing the building societies in preserving a reasonable balance between sums invested and those borrowed – the inward and outward flow of money.

In the past year, as the City of London directors had previously forecast, the flow was decidedly inward. In fact, they now state, receipts of new share and deposit capital proved to be at such a high level that the board considered some restriction was necessary and decided to limit the maximum holding of any new investor to £2,000, and made £2,000 the maximum holding for existing investors who held less than that figure.

This measure, it is stated, was considered to be fairer to existing members and depositors than to reduce the dividend from the level which had already been announced, and more immediately effective to ensure the orderly progress of the business. There is quite an element of long-term planning in the making of advances. Growth by itself does not benefit the investing shareholder because there is no equity element in a building society share.

A second force in the inward flow of money was the unexpected volume of redemptions of existing mortgages.

## Reserves

Steps already taken to reduce the volume of incoming capital to a more normal level, the directors report, had begun to take effect, but the unusually high proportion of funds invested in mortgages on which the average income yield was lower 'contributed to a lower net surplus than we like to see'. The yield on the majority of the Society's mortgages was also lower, due to the reduction of about  $\frac{1}{2}$  per cent in the long-term rate of interest. The City of London Society, it may be noted, has for some time fixed its mortgage rate in relation to the market level of  $3\frac{1}{2}$  per

### CITY OF LONDON BUILDING SOCIETY

#### REVENUE AND APPROPRIATION ACCOUNT For the year ended 30th September, 1963

	1963 £	1962 £		1963 £	1962 £
<b>Management Expenses</b>			<b>Interest on Mortgages</b>	538,610	523,583
Directors' Fees .. .. .	4,000	3,100	Interest from Investments (gross) .. .. .	62,979	42,990
Remuneration of Staff and Auditors .. .. .	26,896	23,239	Discount on Treasury Bills .. .. .	6,185	972
Office Accommodation and Expenses .. .. .	3,841	3,831	Bank Interest .. .. .	10,488	2,749
Printing, Stationery, Postage and Telephone .. .. .	4,140	3,243	Rent from Lettings (net) .. .. .	1,595	1,318
Advertising .. .. .	3,896	3,221	Valuation Fees and Expenses .. .. .	12,220	9,790
Commission .. .. .	1,579	1,164	Other Fees, Rules, etc. .. .. .	67	57
Travelling and Other Staff Expenses .. .. .	2,504	1,999	Commission .. .. .	4,070	3,943
Solicitors' and Other Legal Costs .. .. .	1,009	1,251	Interest on Tax Reserve Certificates .. .. .	573	5,579
Consultants' Fees .. .. .	358	655	Interest on Income Tax Post-War Credits .. .. .	87	214
Sundry Expenses .. .. .	615	599	Mortgage Loss Recovered .. .. .	161	—
<b>Total Management Expenses</b> .. .. .	<b>48,838</b>	<b>42,302</b>			
Bank Charges .. .. .	76	487			
Valuation Fees and Expenses .. .. .	12,220	9,790			
Professional Fees for Society's new rules .. .. .	481	—			
Structural alterations to Society's premises .. .. .	1,567	—			
Interest on Deposits .. .. .	35,474	32,314			
Amount written off Office Equipment .. .. .	1,230	1,234			
Income Tax 1963/64 Assessment (See Note) .. .. .	156,215	148,839			
Profits Tax for the year ended 30th September, 1963	2,460	5,961			
Dividend to Shareholders for the year ended 30th September, 1963 .. .. .	362,551	306,498			
Balance carried down .. .. .	15,923	43,770			
	<b>£637,035</b>	<b>£591,195</b>		<b>£637,035</b>	<b>£591,195</b>
<b>Centenary Year Expenses</b> .. .. .	<b>3,520</b>	<b>11,420</b>	<b>Balance brought forward from last year</b> .. .. .	<b>75,942</b>	<b>118,206</b>
Reserve for Mortgage losses .. .. .	2,692	—	Balance brought down .. .. .	15,923	43,770
Underprovision for Taxation in respect of previous years:—			Profit on Realisation of Investments .. .. .	14,600	2,345
Income Tax .. .. .	3,244	—	Overprovision for Taxation in respect of previous years:—		
Profits Tax .. .. .	1,220	—	Income Tax .. .. .	—	478
	4,464	—	Profits Tax .. .. .	—	38
Transfer to General Reserve .. .. .	50,000	100,000	Deposit Balances transferred .. .. .	—	2,525
Balance carried forward .. .. .	45,789	75,942	Dividend Equalisation Reserve Account written back	—	20,000
	<b>£106,465</b>	<b>£187,362</b>		<b>£106,465</b>	<b>£187,362</b>

NOTE: Pursuant to Statutory arrangements the Society's Income Tax assessment is based on the accounts of the current year.

cent War Loan and now offers borrowers a choice of methods.

The result was that the reserve ratio, calculated on the formula required by the Registrar, dropped from 5·06 per cent to 4·5 per cent. The minimum requirement for trustee status is 2½ per cent.

Building society reserves are not, of course, provisions against catastrophe such as the insurance companies must always be prepared for – earthquake and other such ‘Acts of God’. The building societies take in money ‘short’ and lend it ‘long’ and must be prepared for any shaking of public confidence that might cause withdrawals to be more than just temporarily ‘inconvenient’.

To fulfil their function, the main investment medium for building society reserves is the market for Government stocks, the most liquid of investments. In this connection, the City of London Society goes beyond statutory disclosure provisions by giving each separate line of investment by title and holding. This schedule is included in the reprint and shows that within the comparatively near and the not far distant future, quite a substantial capital redemption profit may be looked for. Actually, a building society reserve in this form costs virtually nothing to keep.

### Auditors' Suggestion

**A** SUGGESTION by the auditors of The London Scottish American Trust Ltd, which the board has accepted has a wider interest than that of the company concerned.

Reconstructing briefly the revenue account for the year to October 31st, 1964, there was the main credit for gross interest and dividends on investments of £401,814 (£378,916) including £49,000 (£50,000) estimated double taxation relief receivable.

To this was added £572 (£1,233) for commissions on underwritings in respect of which no allotments were made and £19,469 (£12,856) for tax adjustments in respect of prior years.

On the other side is £11,006 (£9,762) for management expenses, £7,000 (£7,000) for remuneration of directors, £450 (£350) for remuneration of auditors and £26,689 (£26,825) for interest payable; income tax was £138,708 (£130,114) and profits tax £13,000 (£15,500) leaving £225,002 (£203,154) as the year's surplus.

The chairman, Mr Ion Garnett-Orme, points out that investment income and amount carried to appropriation were up 6.1 per cent and 10.7 per cent respectively, against 3.7 per cent and 8.2 per cent respectively, adding a reminder of his statement last

## CITY OF LONDON BUILDING SOCIETY

**BALANCE SHEET** at 30th September, 1963

Number of Share Investors 8,955		Number of Depositors 1,027		Number of Borrowers 5,088	
	1963 £	1962 £		1963 £	1962 £
<b>Due to Holders of Shares</b>			<b>Balances due or outstanding on</b>		
Investing Shares .. .. .	9,416,740		Mortgages not including		
Subscription Shares .. .. .	36,298		prospective interest		
		9,453,038	7,841,063		
<b>Deposits</b>			From Bodies Corporate .. .. .	73,312	
Deposits repayable at 1 month's			From persons other than Bodies		
notice .. .. .	828,798		Corporate where debt exceeds		
Others .. .. .	190,708		£5,000 .. .. .	339,085	
Accrued Interest .. .. .	8,760		Others .. .. .	7,577,010	
		1,028,266	939,319		
<b>Holdings exceeding £5,000</b>			<b>Total</b> .. .. .	7,989,407	
<b>Number 9. Total £87,749</b>			Less Provision for anticipated losses		
			on Mortgages .. .. .	—	
			Mortgage Assets .. .. .	7,989,407	7,414,288
			<b>Total number of mortgages 5,109</b>		
<b>Other Liabilities</b>			<b>Investments</b>		
Income Tax to 5th April, 1964 ..	132,650	132,200	Quoted		
Profits Tax to 30th September, 1963	1,450	5,800	Final Redemption date in not		
Taxation in respect of Accrued			more than five years .. .. .	1,093,045	
Interest .. .. .	9,868	6,250	Others .. .. .	735,428	
Directors' Fees .. .. .	4,000	3,100			
Creditors and Accrued Expenses ..	5,347	4,646	(Market Value £1,888,958) ..	1,828,473	
		153,315	Unquoted .. .. .	548,181	
<b>Special Reserve</b>			Interest Accrued .. .. .	18,360	
Reserve for Mortgages Losses .. ..	2,692	—			
<b>General Reserve and</b>			<b>Total Investments</b> .. .. .	2,395,014	1,498,894
Balance carried forward			Tax Reserve Certificates	250,000	200,000
General Reserve as at 30th Septem-	400,000	400,000	Cash on Deposit and		
ber, 1962 .. .. .			Current Accounts at Banks	448,209	242,835
Transfer from Revenue and Approp-	50,000		Cash in hand	278	284
riation Account .. .. .			Freehold Office Premises		
	450,000		and Equipment—		
<b>Balance of Appropriation Account</b>			34 London Wall as valued 30th Sep-		
carried forward .. .. .	45,789	75,942	tember, 1952 with additions at		
		495,789	cost .. .. .	53,438	
			Less written off to date	26,438	
				27,000	27,100
<b>F. A. B. BRAITHWAITE</b> Director			71 Moorgate at cost ..	12,395	
<b>D. E. TAYLOR</b> Director			Less written off to date	395	
<b>J. D. PETERS</b> Secretary				12,000	12,000
				39,000	
			<b>Income Tax Post-War Credits</b>		
			(including accrued interest)	3,584	8,770
			Debtors and Payments in Advance	7,608	4,156
	£11,133,100	£9,408,320		£11,133,100	£9,408,320

year that the higher proportion of increase in net surplus was due to the larger sum received in double taxation relief adjustments. There is a further rise in the present accounts.

### Adjustments

These substantial adjustments, he says, arise out of the fact that in the past double taxation relief has been estimated and taken credit for in the revenue account under 'Gross income and dividends on investments'. Ultimate recoveries have in the past exceeded the estimate by a considerable amount. In practice, complete settlement is not received for several years and eventually the final sum recovered appears in the revenue account as 'Tax adjustments in respect of prior years'.

Until now, the estimate added each year has been based on the standard rate of income tax, at present 7s 9d in the £, although the ultimate recovery has been over 10s in the £.

Mr Garnett-Orme says that following the auditors' suggestion, it is proposed in future years to calculate for the estimation on the basis of 9s 9d in the £ which, he points out, will produce in the revenue account a more accurate picture of the true earnings for the year.

One other and extremely interesting item in this report are the two 'Distribution of income graphs', one based on the book figures and the other showing the position as corrected by the retail price index.

It is a reminder that progress is measured not by the number of £s sterling one has but by what one can do with them.

### AUDITORS' REPORT to the members of The City of London Building Society

The foregoing Balance Sheet and Revenue and Appropriation Account are properly drawn up in accordance with the requirements of the Building Societies Act, 1962 and the regulations made thereunder. In our opinion they give respectively a true and fair view of the state of the Society's affairs on 30th September, 1963 and of its Income and Expenditure for the financial year ended on that date.

D. R. BEDFORD SMITH, F.C.A.,

E. J. R. MAY, F.C.A.

(TANSLEY WITT & CO)

22/24 ELY PLACE, LONDON, E.C.1

12th November, 1963.

### ADDITIONAL SCHEDULE OF NOTES

At 30th September, 1963, the under-mentioned amounts were under notice to be withdrawn or called for repayment—

#### SHARE & DEPOSIT CAPITAL

								1963	1962
Shares	(a) To be withdrawn	..	..	..	..	..	..	£	£
	(b) Called	..	..	..	..	..	..	6,666	8,006
Deposits	(a) To be withdrawn	..	..	..	..	..	..	1,220	10,000
	(b) Called	..	..	..	..	..	..	—	—
<b>TOTAL</b>								<b>£7,886</b>	<b>£18,006</b>

### UNCOMPLETED ADVANCES

At the 30th September, 1963, the Society had made offers of advances estimated to amount to £761,968 (1962 £463,155).

Subject to approval of title by the Society's Solicitors and the applicants being able to complete their purchase, the Society will advance that estimated sum during the period after 30th September, 1963.

### SCHEDULE No. 8

Particulars of the Investments held by the Society.

	Latest date of Redemption within 5 years from date of Balance Sheet			Latest date of Redemption after 5 years but within 15 years from date of Balance Sheet			Amounts included in Balance Sheet	
	Nominal Value	Market Value	Book Value	Nominal Value	Market Value	Book Value	Market Value	Book Value
<b>QUOTED</b>	£	£	£	£	£	£	£	£
<b>British Government Securities</b>								
3% Savings Bonds 1955/65 ..	300,000	293,250	281,732					
2½% Savings Bonds 1964/67 ..	500,000	473,828	454,397					
3% Funding Stock 1966/68 ..	300,000	282,000	264,869					
3% Funding Stock 1959/69 ..				250,000	234,797	228,094		
3% Savings Bonds 1960/70 ..				300,000	271,500	267,881		
3% British Electricity Stock 1969/73				100,000	87,419	86,283		
3% British Transport Stock 1968/73				100,000	87,419	86,408	1,730,213	1,669,664
<b>British Commonwealth Securities</b>								
3½% New Zealand Stock 1962/65 ..	25,000	24,250	23,761					
3½% Australia Stock 1961/66 ..	25,000	23,875	23,220					
3% New Zealand Stock 1966/68 ..	50,000	45,000	45,066					
3½% Australia Stock 1965/69 ..				50,000	44,750	44,976		
2½% Australia Stock 1967/71 ..				15,000	12,675	12,632	150,550	149,655
<b>British Municipal Securities</b>								
3½% Bristol Corporation Stock 1970/74 ..				9,200	8,195	9,154	8,195	9,154
<b>TOTAL</b> .. .. .	£1,200,000	£1,142,203	£1,093,045	£824,200	£746,755	£735,428	£1,888,958	£1,828,473
<b>UNQUOTED</b>								
Local Authority Loans .. ..	350,000		350,000					
Treasury Bills .. .. .	198,181		198,181					548,181
<b>TOTAL</b> .. .. .	£548,181		£548,181					£548,181

## CITY NOTES

THE stock-markets are now clearly in the grip of General Election doubts. After an eight-day fall there was a minor and largely technical rally at the end of last week but since then the down-turn in prices has been resumed.

Selling has tended to fall away to some extent but there is no firm basis on which buyers can be attracted to the market on any reliable or justifiable basis. The disconcerting developments in East Africa have not been without their influence but they represent the type of factor which, under bullish conditions, the equity market would ordinarily shrug aside.

With Sir Alec Douglas-Home and Mr Harold Wilson both launched on pre-election speaking campaigns, the political slanging match has begun and the promises and platitudes will come thick and fast. In the next few weeks every effort will be made by political commentators to translate events into terms of election timing pointers and the earlier the election the less chance there is likely to be of the stock-market achieving any worth-while rally.

Behind the slide in equity values there is still some institutional taking up of lines of reasonably priced shares but this is not the kind of business which puts prices better. A rally needs a resumption of a flow of medium-sized investment demand and it is difficult to see that kind of demand coming back again quickly.

STATEMENTS from the leading bank chairmen this year have had the question of interest rates as their common theme. Without exception bank chairmen have made the point that if deposit rates are increased as a means of attracting funds then lending rates must also rise.

The point has also been made that if bank interest

rates rise there could well be a parallel increase in rates throughout the monetary system as a counter-acting move. Bank thinking on the question is adequately summed up in Mr Harald Peake's statement to shareholders in Lloyds Bank.

Showing that clearing bank deposits have not been keeping pace with the growth in national income he says: 'The time is approaching when, in order to maintain their stock of raw material, banks might find it necessary to pay higher rates of interest for time deposits. Even if this should necessitate some adjustment of lending terms, the cost of bank accommodation in this country is still likely to continue to be lower than it is abroad.'

\* \* \* \*

THE take-over and industrial merger pace is hotting up again. There are currently two running battles on the take-over front with the News of the World Organization attempting to take over the Hazell Sun printing group despite that company's intention of merging with Purnell & Son to form the British Printing Corporation.

The Westinghouse Brake & Signal company is battling, with some success, against a take-over bid from the powerful Thorn Electrical Industries group.

The brewery industry is never far out of the take-over reckoning but Allied Breweries' £6 million bid for Thomas Ramsden of Halifax values Ramsden shares at 27s against a market price of 25s 6d and provides another example of independent brewery shares standing at prices which already discount merger prospects.

An interesting and uncontroversial deal is the £6.3 million cash take-over by Unilever and 'Associates of Hambros Bank' of Commercial Plastics the 'Fablon' company.

## RATES AND PRICES

Closing prices, Wednesday, January 22nd, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Foreign Exchanges			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%	New York	2.79 3/4	Frankfurt	11.11 1/2
July 26, 1961	7%	Mar. 22, 1962	5%	Montreal	3.02 1/2	Milan	1742
Oct. 5, 1961	6½%	April 26, 1962	4½%	Amsterdam	10.08 1/2	Oslo	20.0 1/2
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Brussels	139.43	Paris	13.71 1/2
				Copenhagen	19.33 1/2	Zürich	12.07 1/2
Treasury Bills				Gilt-edged			
Nov. 15 £3 15s	0.68d%	Dec. 20 £3 14s	4.45d%	Consols 4%	66 1/8	Funding 3% 59-69	92 1/2
Nov. 22 £3 15s	0.11d%	Dec. 27 £3 14s	5.08d%	Consols 2½%	42 1/2	Savings 3% 60-70	89 7/8
Nov. 29 £3 14s	9.42d%	Jan. 3 £3 14s	4.19d%	Conversion 6% 1972	105 1/2	Savings 3% 65-75	80 1/8
Dec. 6 £3 15s	4.58d%	Jan. 10 £3 14s	3.37d%	Conversion 5½% 1974	100 1/8	Savings 2½% 64-67	91 3/8
Dec. 13 £3 14s	8.89d%	Jan. 17 £3 14s	3.63d%	Conversion 5% 1971	99 1/8	Treas'ry 5½% 2008-12	95 1/8
				Conversion 3½% 1969	94 1/2	Treasury 5% 86-89	91 1/2
Money Rates				Conversion 3½%	59 1/8	Treasury 3½% 77-80	79 1/2
Day to day	2½-3½%	Bank Bills		Funding 5½% 82-84	98 1/2	Treasury 3½% 79-81	78 1/2
7 days	2½-3½%	2 months	3½-3 7/8%	Funding 4% 60-00	94 1/2	Treasury 2½%	42 1/2
Fine Trade Bills		3 months	3½-3 7/8%	Funding 3½% 99-04	66 1/8	Victory 4%	97 1/2
3 months	5-5½%	4 months	3½-3 7/8%	Funding 3% 66-68	92 1/2	War Loan 3½%	58 1/2
4 months	5-5½%	6 months	3½-4%				
6 months	5½-6%						

# Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

## Strick v. Regent Oil Co Ltd

In the High Court of Justice (Chancery Division) –  
December 17th, 1963

(Before Mr Justice PENNYCUICK)

*Income tax – Profits tax – Deduction – Oil importing and merchanting – Exclusivity transaction – Filling station leased at nominal rent – Premium paid – Filling station sublet back to owner – Exclusive sale of oil – Whether premiums deductible – Income Tax Act, 1952, section 137 (f).*

The respondent, carrying on a business of importing oil and selling it to filling stations, which resell to the public, formulated an exclusivity policy known as the Regent Solus Dealer Plan, pursuant to which arrangements were made with the owners of filling stations for them to sell only the oil supplied by Regent. Regent paid the owner a lump sum calculated by reference to the estimated gallonage of oil, which would be supplied by Regent to the owner over the specified period, and the owner undertook to buy all his oil from Regent. In 1956 Regent oil was sold at 4,886 filling stations, of which 4,483 were tied by exclusivity arrangements, but twelve by an arrangement of a special type.

The transactions involved in this new type of arrangement consisted of the filling station owner leasing the station to Regent for a number of years at a nominal rent and in consideration of a premium, and of Regent subletting the station back to the owner for the same number of years less three days at a nominal rent, and of the owner entering into a covenant to purchase Regent oil only. The premium was calculated by reference to the estimated gallonage to be supplied by Regent to the owner for the duration of the letting, but Regent would make additional payments if the estimate was exceeded. The owner undertook not to assign his tenancy except to a person undertaking to enter into a similar transaction. The periods of subletting ranged from five years to twenty-one years, and the premiums varied from about £2,000 to about £183,000. In the case of one filling station a lump sum was expressed to be payable in consideration of the owner, then engaged in the building of a number of stations, undertaking to erect those stations and to grant leases on scheduled terms.

It was contended by the appellant that the premiums were payments for the acquisition of

interests in land; that Regent was not a dealer in land; and that the premiums were paid for capital assets. For Regent it was contended that the premiums were properly chargeable to Revenue account. The Special Commissioners decided in favour of Regent.

*Held:* the premiums were the prices paid by Regent for interests in land, coupled with the tenants' covenants under the subleases, and were capital payments, and were therefore not deductible for tax purposes.

## Duckering v. Gollan

In the High Court of Justice (Chancery Division) –  
December 20th, 1963

(Before Mr Justice PENNYCUICK)

*Income tax – Double tax relief – Income from abroad – Tax charged abroad on income arising during preceding year – Charge to income arising during assessment year – Income of year preceding changeover year not assessed abroad – Whether relief available – Finance Act, 1920, section 37 – Income Tax Act, 1952, sections 122, 123 (Cases IV and V), 132, 347, Schedule 16, paragraphs 1, 2 – Finance Act, 1961, section 18 – New Zealand Income Tax Assessment Act, 1957, section 4 – Double Taxation Relief (Taxes on Income) (New Zealand) Order, 1947, Articles I (1), II (3), XIV.*

The respondent, resident in the United Kingdom, derived income in the form of mortgage interest from New Zealand. The New Zealand fiscal year ends on March 31st. Up to 1957–58 inclusive New Zealand tax was charged on the income arising during the year preceding the year of assessment, but by section 4 of the New Zealand Income Tax Assessment Act, 1957, the tax has been, since 1958–59, charged on the income arising during the year of assessment itself, as compared with the rule in the United Kingdom that tax on income within Cases IV and V of Schedule D is charged on the income arising during the year of assessment measure by the income that arose during the preceding year.

Thus the amount of income, that was charged to tax in 1957–58 in both the United Kingdom and New Zealand, was the amount that arose to the respondent in 1956–57. The income that arose to him in 1957–58 never came into charge to tax in New Zealand, but was the measure of the income assessed for 1958–59 in this country. The amount assessed in New Zealand for 1958–59 was the amount that arose in that year; and that amount was the measure of the assessment in the United Kingdom for 1959–60. The respondent paid New Zealand tax for 1958–59 on the income that arose to him in that year, and this tax came to £1,033 9s 6d. The respondent claimed double taxation relief for 1958–59 on the footing that he was entitled to a credit for the New Zealand tax for the same year. Relief was refused by the Inland Revenue on the



ground that the amount of the assessment for 1958-59 was the amount of income that arose in 1957-58; and that that amount never bore tax in New Zealand.

In an appeal to the Special Commissioners it was contended on behalf of the appellant that the respondent had paid no New Zealand tax in respect of the income that arose to him in 1957-58; and that there was therefore no New Zealand tax which could be credited against the United Kingdom tax for 1958-59. It was contended on behalf of the respondent (i) that the income in respect of which relief was claimed was the income of the year 1958-59; (ii) that the assessment of this income to United Kingdom tax was in

respect of the income of the year of assessment itself, whatever the basis of computing that income might be; (iii) that the United Kingdom assessment for 1958-59 was in respect of the income of that year; (iv) that New Zealand tax had been paid in respect of the income of 1958-59. The Special Commissioners decided in favour of the respondent.

*Held:* for the purposes of Article XIV of the Double Taxation Relief (Taxes on Income) (New Zealand) Order, 1947, the United Kingdom assessment for 1958-59 was in respect of the income of the preceding year; and that therefore the appellant's contention was correct.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Training of Articled Clerks

SIR, - I was surprised to read the letter from the Chairman of the Joint Committee of the London Chartered Accountants' District Society and Students' Society introducing the new introductory course to be arranged for articled clerks in the London area (December 14th issue).

In asking for support for the proposed centrally organized lectures to be held in the evening in two weeks in February he suggested, in effect, that this will prevent the training 'falling into the hands' of qualified accountants (including members of the Institute) now engaged in higher education.

The success of the scheme proposed by the London District Society depends on co-operation between the Society and its colleagues, who are experienced in teaching. The suggestion that the assistance of such professionally-qualified lecturers will result in articled clerks 'falling into their hands' is unconvincing and appears to be aimed at jeopardizing the scheme before it starts. Many of us have doubts as to the wisdom of so limiting the pilot scheme to two weeks. But we have agreed to fully co-operate in the new venture and, I understand, the joint committee have agreed to have consultations on any defects discovered.

In his *personal* capacity the chairman has the fullest right to have his own views on the training of articled clerks, but one would think that, as chairman, he would support the *official* view of the Institute. The Council of the Institute has recently

published a pamphlet, *Supplemental Royal Charter and Bye-laws - Allowance of Alterations*. In paragraph 36 on 'Theoretical training' the Council announces its acceptance of the recommendations of the Parker Report on introductory courses but adds 'subject to its terms being widened to enable the Council to make inquiries from local educational institutions not only in relation to the possible provision of the introductory courses but also in relation to the general education and training of articled clerks'. The initial inquiries are now being undertaken in conjunction with the district societies - hence the London scheme planned for February. This statement of the Council does not reflect the fear of the articled clerks being trapped as expressed by the chairman of the London joint committee.

A further conflict arises in that the Institute has recently invited its members to consider entering the teaching profession to help increase facilities for training of articled clerks. Are these members to be treated with the same suspicion?

Finally, there is the Robbins Report which is now accepted as national policy on higher education. Surely a senior professional association like the Institute would not wish to appear as reactionary in its attitude to the training of potential members of an important profession.

For my part, I consider the idea of co-operation between colleges and the Institute to be a good one. All of us are concerned about the wastage of would-be entrants, and the high rate of examination failures. Full-time lecturers in the colleges have a vital part to play. They are not only fully-qualified accountants with years of practical experience in practice, industry or commerce, they also have the added 'know how' of teaching skills. Their efforts are supplemented by some part-time tutors who combine this work with running a practice. Further help is given by qualified barristers, economists, etc. All this skill and experience is available to the London District and should be welcomed rather than treated in the cavalier manner expressed by the London joint committee chairman.

One needs to remember that there are two prerequisites of a potential chartered accountant -

practical training and examination success. Principals are responsible for the former, colleges of advanced business studies have a real contribution to make to the latter. It is one of the functions of the Institute and its district societies to effect co-ordination.

I have written this letter in what I hope are moderate terms. Its compilation has been prompted by the concern felt by my colleagues in the department (many of them members of the Institute) at the unfortunate tone of the letter of the London joint committee chairman. Needless to say, I fully support the steps being taken by the Institute to ensure more effective training of articled clerks. In fact this college has already organized a series of successful introductory courses for articled clerks in the London area.

Yours faithfully,

H. J. HARVEY, F.A.C.C.A., A.T.I.I., A.M.B.I.M.,  
*Head of Department of Accountancy,*

BALHAM AND TOOTING COLLEGE OF COMMERCE.  
*London SW17.*

### Stop Eating the Seed Corn!

SIR, - Will you and your readers please accept my apology for errors in my article in your issue of January 18th.

The most serious concerns Sir George Schuster, who I am glad to say is hale and well, and has graciously accepted the humble apology I have made directly to him.

Errata in tables:

Table I: 1962 GNP - 24.9 (£000 million).

Table II: (at factor cost... subsidies and taxes...).

Table II: Export surplus, 1962, +0.2.

Yours faithfully,

*Cheam, Surrey.*

JACK CLAYTON.

[We, also, express our regret to Sir George for the erroneous reference which appeared in our columns. - EDITOR.]

### 'Top Hat' Pensions

SIR, - In his article 'Top Hat' Pensions' (January 11th issue), your insurance correspondent mentions his doubt as to whether a young employee should accept the offer of a 'top hat' pension arrangement, to which his own contribution would be in the form of a reduction in salary.

The reason he gives is that this method might tend to bind the employee to the employer setting up the arrangement. I agree that this could well be the case if the 'top hat' arrangement was effected by a single policy in which the rights are vested solely in the employer. It is possible, however, for the arrange-

ment to be effected by two separate policies securing benefits proportionate to the employer's contribution in the first case and to the salary reduction in the second. The policy secured by the salary reduction could then be vested fully in the employee so that the benefit secured by his contributions would pass to him in all circumstances. This procedure ensures that his movements could not be restricted by thoughts of sacrificing a benefit which he had himself purchased.

I do, however, agree with your correspondent - but for different reasons - that there are disadvantages in this procedure, namely,

- (1) the reduction in the maximum benefit, which would have to be based on the reduced salary, and
- (2) that on the benefit passing to him as a right on leaving his employment, no cash can be taken until the maturity date, and
- (3) the policy, being in the employer's name, would have to be assigned to him;

but assuming that the employee is liable to a substantial amount of income tax, the advantage of the saving of tax should outweigh the disadvantages mentioned above.

Yours faithfully,

*Leicester.*

L. R. FENNEMORE.

### English as She Wrote

SIR, - The following is a copy of a notice of an extraordinary general meeting sent by a Spanish company to one of its shareholders who is an English resident in Majorca:

To Mrs. A. S.

Dear Sir,

In order at the last according taken in the meeting celebrated yesterday of the Co-Proprietarys of this appartements we self you summon for the General Extraordinary Meeting, that shall have place the next 8th January of 1964 came in here, in the number 24th . . . Street of this self town, for to handle single and exclusively of the performances in order of the Administrator Mister R. H.

Gived the transcendental of thus business, I hope you will be present to the self, or you depute in person (any) representative, interceding letter to the President, Mister J. A., that he life places in number 5th of . . . Street, in according at the 3er segregate of the number 2 of the statutes that we govern in this Community of Proprietarys.

Very attentively,

The President.

Possibly this gives us some indication as to where the Parliamentary draftsmen settle when they retire!

Very astonishingly,

JABBERWOK.

# Implementation of an E.D.P. System

The London and District Society of Chartered Accountants' Data Processing Discussion Group held a meeting on January 7th to discuss 'The implementation of an electronic data processing system', when the principal speaker was Mr F. F. Land, a senior consultant of English Electric-LEO Computers Ltd. This meeting followed on from those held last November and December on 'Defining the information requirements of a business', and 'Selecting the right computer' (reported in *The Accountant* of December 7th and 28th respectively).

## Manager's First Tasks

Mr Land said that having defined the data-processing system and placed an order for a computer, the first thing to do, if this had not been done already, was to select a manager. He must be a man who was known in the company, who had powers of diplomacy and firmness, was of considerable seniority and he should, if possible, report direct to the board.

The manager's first job would be to determine the order in which the problems which had been selected for transfer to the computer were to be tackled. The first applications should not be considered in isolation, but as part of the overall scheme. It was an advantage if they were well defined and made a substantial contribution to the running costs of the computer. It was necessary, too, for the building plans to be set in motion and arrangements made with contractors for air-conditioning plant, if necessary.

## Impact on Staff

The education of the staff and workpeople not directly involved was most important, said Mr Land. They must first be informed of the changes which were likely and the arrangements being made, including provisions for staff retraining and redeployment and redundancy payments. Unions might have to be consulted. The manufacturer's assistance should be obtained on education of staff and visits to computers arranged. It should also be made clear that there would be jobs available for company staff in the data-processing section.

## Recruitment and Training

The recruitment and training of a team of analysts and programmers was the next problem. A mixture of experienced outsiders and novices from existing company staff made a good combination. Obviously a completely new team of outsiders would not integrate sufficiently quickly and would be viewed with suspicion and dismay by company staff. Equally a team of novices without experienced assistance was vulnerable. In most cases the team should not be less than six in number as it was always better to have some spare capacity due to the high mobility rate for this type of staff.

At this stage of the meeting there was a short break for discussion and in reply to questions, Mr Land stressed the need for high calibre programmers who

could pass manufacturers' aptitude tests and who were quick thinking and logically-minded.

## Scheduling

Resuming his comments after the discussion period, Mr Land said that the whole data-processing plan required to be scheduled and agreed by senior management concerned. Schedules should be worked back from delivery date on the following lines:

- (a) three months before delivery – pilot runs on hired machine;
- (b) four months before delivery – parallel runs tried;
- (c) five months before delivery – complete systems tested;
- (d) six months before delivery – all individual programs tested;
- (e) nine months before delivery – all jobs coded;
- (f) eleven months before delivery – all jobs charted;
- (g) twelve months before delivery – specifications fully agreed;
- (h) fifteen months before delivery – specifications distributed to management for consideration;
- (i) eighteen months before delivery – system agreed, outline flow charts completed and specification started.

Obviously there would have to be time-tables for each program and the size and complexity of each step in the development of that program to a fully operational state considered and quantified in man-months of effort.

There must be adequate systems staff for this effort after making allowances for holidays, sickness, hold-ups and false starts.

Operators would have to be recruited and trained and the manufacturers' assistance and guidance would be necessary. The routines for handling tapes and a library system must be worked out beforehand. A chief operator had to be appointed, preferably a man with experience on computers.

## Physical Planning

Preparation for the arrival of the computer must be kept well in hand with safety margins on contractors' completion dates. At least one month should be allowed before delivery date for final alterations to air conditioning equipment, etc. Close liaison should be arranged between architects, contractors and computer manufacturers.

Creation of computer files could often lead to considerable trouble in operation unless steps were taken to ensure that they were complete and accurate to the higher standard demanded by the computer. This must be the responsibility of the supervisors of the departments responsible for the present records.

Mr Land suggested that a steering committee was useful for policy decisions, for approving future applications and receiving suggestions and requests for applications. A progress committee could review in more detail the schedules and time-tables.

Further discussion then followed and numerous points were raised. It was agreed that too much emphasis on the programming aspect and not enough on the supporting clerical system or data preparation was one reason which caused systems to go wrong. It was suggested that it was essential to try out stationery before running in case it did not meet requirements. Standards should be set for organization and documentation of programs and standard times set for both writing and running programs. The computer should be used to prepare its own operating log.

A comment on the somewhat 'ideal' time schedule

brought the reply from Mr Land that it was in fact one they recommended to users and it had been achieved in a number of installations.

The next meeting of the group will be held at Ye Olde Dr Butler's Head, Mason's Avenue, Coleman Street, EC2, on Tuesday, February 11th, at 5.30 p.m. for 6 p.m. The subject of discussion will be 'The computer, sales accounting and sales statistics', and the discussion will be led by Mr C. B. Barber, F.C.A., financial director, W. & R. Jacob & Co (Liverpool) Ltd.

## USING STUDENT SOCIETY FACILITIES

### Lack of Support Criticized at Leeds Dinner

Mr L. B. Eagle, F.C.A., President of The Chartered Accountants' Society of Leeds, responding to the toast of 'The Society' at the annual dinner held in Leeds on January 17th, urged students to do more in the future to support the Society.

He said that the Society offered fellowship, sports, dances, a dinner and on top of that some really first-class lectures. He continued:

'To many of you here tonight, the Students' Society has made no impact whatever. What a lot you have missed. What concerns me is that by failing to attend the Society's functions you are missing the fellowship of your future colleagues in this city.'

'Many of you in a few years' time will be leaders of industry, others will have prominent places in the profession. And what I would say to you now is that those of you who obtain the friendship and fellowship the Society has to offer will find that worth while in the years to come.'

Mr Eagle said that changes which had taken place in the last few years, and particularly in the last year, were due to a great extent to the efforts of past members of the students' societies.

'Former ardent supporters have had ideas that the training of articled clerks could be improved upon, and, as you know, the Institute appointed the Parker Committee which produced the Parker Report. As a result, students now have more time off for swotting; a two-part Final; a committee of referees to settle disputes between principals and articled clerks, and, perhaps most important of all, there is actually a committee to vet new principals before they may take articled clerks.'

'I believe the wind of change is blowing through this Institute and all of you must appreciate the change taking place. It is incumbent upon you to play your part to continue this process. I do urge you, therefore, to do more in the future than you have done in the past to support the Students' Society.'

### Far-reaching Plans

Mr E. E. Sabben-Clare, M.A., headmaster of Leeds Grammar School, proposing the toast of 'The Society', congratulated the students on possessing the qualities required in a potential chartered accountant.

Mr Sabben-Clare said that he hoped very much that in the vague but far-reaching plans for the thorough reorganization of secondary education in Leeds, not only the claims of equal opportunity were remembered, but the need for high quality would not be forgotten.

'I am not quite sure whether people who make plans for reorganization of secondary education realize just how difficult it is to build up a school of high quality and high tradition and how easy it is to upset this.'

'While politicians and some educationalists may have doubts about selective schools or selecting people for schools, I don't think professional men are likely to forget insistence on high standards.'

Mr E. R. C. Lewis, honorary secretary of the Students' Society, proposing the toast of 'The Guests', said he believed that within the next few years the education of articled clerks would, if the right steps were taken, advance greatly.

### Disappointing Attendances

Commenting on the disappointing attendance at lectures organized by the Society, Mr Lewis said there must be 125 articled clerks who never set foot in the lecture hall, and another 200 who never attended the lectures or the dinner. He did not think that that was the fault of the principals.

'We have been pumping the principals for years, they have done their share. I think the blame lies with the articled clerk for failing to understand the functions of the Student Society.'

Referring to the publication of the Robbins Report and the amount to be spent on higher education, Mr Lewis said:

'I would think accountancy is higher education. I believe the Institute should press for recognition of the needs of the profession.'

'I believe that, owing to the increased number of places that will be available in new universities, the accountancy profession stands to lose many fine men to these new universities who would otherwise have taken articles. I believe it is up to the Institute to take the initiative and make the training of articled clerks so attractive that they will not be lost to the universities or, if they go to universities, they will not be lost to the profession.'

'I think that to make accountancy training more attractive it is necessary to examine very closely the present system of articles. I believe that in the next few years articles will have to be abolished. I believe that qualifications will be gained by a two- or three-year intensive study course at a university or full-time college, followed by a two- or three-year period of practical office work before admission will be gained to the Institute.'

Mr D. E. Hinchcliffe, H.M. Inspector of Taxes, Leeds First District, responded in humorous vein.

# Electronics in the Office

## Computers in the City

**A**N IBM 1401 computer with magnetic tapes installed by the firm of Sedgewick Collins is probably the first magnetic tape computer to be used by a Lloyd's broker and underwriting agent. It will provide comprehensive statistics, deal with renewal notices, and perform all book-keeping and reconciliation functions for both client and company. The machine will also automatically prepare a variety of standard letters, printing both name and address and full text.

Another computer soon to be in use in the City of London will be an IBM 1401G which has been ordered by the London office of Consolidated Share Registrars Ltd. It will be used for share registration, dividend payments, and new issue work performed on behalf of the Anglo-American Corporation of South Africa Ltd and the General Mining and Finance Corporation Ltd groups of companies. This is the first British order for an IBM 1401G, a new low cost system which was only announced at the beginning of October. A system of the above configuration would cost in the region of £50,000.

## New Large-scale Computer

**T**HE GAMMA 40, a large-scale magnetic tape or disk computer has now been added to the De La Rue Bull range of data processing systems.

With a ferrite core store for up to 160,000 alphanumeric characters and a read/write time of 1.75 microseconds for up to ten characters, the new machine can be equipped with large-capacity backing stores. Up to twenty-four tape decks can be used, with maximum speeds of 120,000 characters a second. Alternatively, magnetic disk units are available, with a maximum capacity of over five hundred and twenty-eight million characters.

Input/output units can take the form of card or paper tape readers and punches, as well as one or two 1,000 lines per minute printers. An inquiry station may be connected for use in real-time or data transmission applications.

The new machine is compatible with the GAMMA 30, its nearest neighbour in the Bull range. Both systems use the same types of input/output media and basically the same types of instruction, and the two machines can be linked together.

## Second Computer for Fort Dunlop

**A** SECOND computer, a LEO 326 to be supplied by English Electric Leo Computers Ltd for delivery towards the end of this year, has been ordered by The Dunlop Rubber Co Ltd. The computer will substantially extend the service being given in the

Dunlop organization by the LEO III installed at Fort Dunlop a year ago.

The LEO III has already taken over the invoicing and accounting for tyre supplies to dealers all over the country, and, in addition, it is producing sales statistics and currently taking over the payroll for employees at both the Birmingham and Coventry works. Stock control and costing for the company's aviation division is also being carried out.

The LEO 326, in the form ordered by Dunlops, will be used for extending the computer service from the tyre division to the company's many other divisions. Although it is faster and employs different circuit techniques in its central unit, the LEO 326 is fully compatible with the LEO III and it will be possible for work to be passed from machine to machine as a normal procedure.

## E.D.P. for Inland Revenue

**T**HE Inland Revenue is to install at the end of this year at Durrington, near Worthing, a Leo III computer system for payroll and revenue statistical operations.

Manufactured by English Electric Leo Computers Ltd, the system will be used to centralize the Board's payroll work producing the documents for 20,000 weekly paid and 40,000 monthly paid staff, as well as for 11,000 monthly and weekly paid pensioners. A variety of work on statistics will be produced, mainly concerned with Schedule D assessments, and an annual income survey will be made by sampling tax returns. The computer will also carry out the preparation of any new P.A.Y.E. tables required after each Budget speech.

## Data Processing Appreciation Courses

**A**SERIES of one-week computer appreciation courses is to be held by International Computers & Tabulators Ltd at their training establishment at Cookham, Berks, during February, April, June and September.

The courses are intended to give company directors and senior managers guidance in the management implications of installing computers and other automatic data processing equipment. Developments in the use of automatic data processing, both for dealing with large volumes of data and for providing management information, will be examined. Subjects to be discussed include the characteristics of automatic data processing, factors affecting the choice of equipment, the work of the systems analyst and other specialists in management sciences, management policy for a data processing department - with a particularly long look at ways of ensuring that the department is fully integrated in the organization which it serves. There will also be a brief review of the major items of equipment available.

The courses are suitable for directors and senior managers above the level of the data processing manager; they require no previous knowledge of the subject, but a sound understanding of management objectives and problems is assumed.

Additional information and enrolment forms may be obtained from any I.C.T. office or direct from the Principal, I.C.T. Data Processing Training Establishment, Moor Hall, Cookham, Berks.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS DOWN & Co, Chartered Accountants, announce that Mr D. H. A. DOWN, J.P., F.C.A., having been appointed deputy chairman and secretary of a public company is withdrawing from the firm. The remaining partners will continue in practice under the name of DOWN & Co.

MESSRS FRANKLIN, WILD & Co, Chartered Accountants, of Orient House, 42/45 New Broad Street, London EC2, and MESSRS TALBOT, ELLIS, JACK & Co, Chartered Accountants, of 25 Newman Street, London W1, announce that as from January 1st, 1964, they have entered into an association. Mr DAVID R. HINDLE, F.C.A., has been appointed a partner in MESSRS TALBOT, ELLIS, JACK & Co. The two practices will continue to be carried on separately at their respective premises.

MESSRS H. R. HANDS & Co, Chartered Accountants, of 50 Aldridge Road, Perry Barr, Birmingham 22B, announce that Mr R. T. SALT, J.P., F.C.A., Mr K. HOPE, F.C.A., and Mr J. R. WELCH, A.C.A., were admitted into partnership as from January 1st, 1964. The name of the firm will in future be OVERTON, SALT, HANDS & Co.

Mr A. J. R. MACEWAN, F.A.C.C.A., of P.O. Box 180, Arusha, Tanganyika, announces that his practice has been amalgamated with that of MESSRS RAJPAR, DAVDA & Co, Chartered Accountants, of London, Dar-es-Salaam and Lindi, as from January 1st, 1964, under the style of MACEWAN, RAJPAR, DAVDA & Co.

MESSRS PANNELL, FITZPATRICK GRAHAM & CREWDSON, Chartered Accountants, have moved their London offices from 9 Basinghall Street and 95a Chancery Lane to Lee House, London Wall, London EC2. Telephone: Monarch 7051.

MESSRS RAJPAR, DAVDA & Co, Chartered Accountants of London, Dar-es-Salaam and Lindi, announce that they have opened an office at Flaviana Building, Boma Road, P.O. Box 175, Arusha (Tanganyika).

Mr H. TARLEY, F.C.A., announces the change of his address to Ralli House, St Paul's Churchyard, London EC4.

## Appointments

Mr E. A. Bland, D.S.O., F.C.A., has been appointed by the Minister of Power as a member of the Eastern Gas Board to fill the vacancy caused by the retirement from the Board of Mr A. S. H. DICKER, M.B.E., F.C.A.

Mr Raymond P. St. G. Cazalet, F.C.A., has been appointed a director of Henderson Administration Ltd.

Mr J. M. Goodwin, C.A., has been appointed to the board of The Highland Distilleries Co Ltd; he will continue as company secretary.

Mr Stephen P. Hornung, F.C.A., has been appointed to the board of Sena Sugar Estates Ltd.

Mr Grahame T. Meller, C.B.E., F.C.A., has been appointed a member of the Transport Tribunal.

Mr J. A. Rigg, F.C.A., secretary of Rolls-Royce & Associates Ltd, has been appointed a director of the company.

Mr W. S. Risk, B.COM., C.A., F.C.W.A., has been appointed a director of Staveley Investment Trust Ltd and of the subsidiary company, Staveley Finance Co Ltd.

Mr C. Russell, A.C.W.A., has been appointed works accountant of the A.E.I. Industrial Group.

Mr W. T. Stickland, A.C.A., has been appointed director of Castleguard Textile Co Ltd.

## OBITUARY

### Frederick Addison Bell, F.C.A.

It is with regret that we record the death on January 6th, after a short illness, of Mr F. A. Bell, F.C.A., formerly senior partner in the firm of John Baker, Sons & Bell, Chartered Accountants, of London.

Articled to Mr E. J. Baker, of John Baker & Sons, in 1909, Mr Bell secured first place in both his Intermediate and Final examinations and was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1914 and immediately became a partner in the firm. In 1929 the firm name was altered to John Baker, Sons & Bell, and on the retirement in 1930 of Mr E. J. Baker and Mr A. R. Baker, Mr Bell became senior partner. He retired in December 1959 after completing fifty years with the firm.

Mr Bell held a number of company directorships up to the date of his death. He was also a Freeman of the City of London, a member of the Needleworkers' Company and a prominent freemason and rotarian. He leaves a widow and a daughter.

### John Ivan Spens, O.B.E.(Mil.), C.A.

It is with regret that we record the death last Sunday, at the age of 73, of Mr John Ivan Spens, O.B.E.(Mil.), C.A., senior partner in the firm of Brown, Fleming & Murray, Chartered Accountants, of London.

Educated at Cargilfield and Rugby, Mr Spens was admitted a member of The Institute of Accountants and Actuaries in Glasgow in 1914. He served throughout the First World War with the 5th Battalion, The Cameronians (Scottish Rifles), being mentioned in

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## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

dispatches and awarded the O.B.E. in 1919. He returned to the profession after the First World War and was made a partner in Brown, Fleming & Murray. During the Second World War, Mr Spens was accountant-general from 1939-41 with the Ministry of Supply and deputy-director of finance and accountant-general from 1941-42. He served as head of the industrial division of the Ministry of Production from 1942-43 and afterwards as adviser to the Minister of Production until the end of the war.

Mr Spens held a number of company directorships and was vice-president of the Scottish Amicable Assurance Society. He was a former chairman of the London Tin Corporation.

## IN PARLIAMENT

### Ground-rents: Schedule A Tax

Mr H. HYND asked the Chancellor of the Exchequer why income tax under Schedule A is still being charged on ground-rent from house owners who are not owner-occupiers.

Mr GREEN: Under the Finance Act, 1963, a tenant is still entitled to deduct tax from ground-rent for the current year, 1963-64, and he has to pay over the corresponding amount of tax under Schedule A. The new system for taxing rents does not come into operation until next year, 1964-65.

Mr DUDLEY SMITH asked the Chancellor of the Exchequer if he is aware that many householders who considered they would no longer be eligible for Schedule A tax on property have been taxed for the current financial year; and if he will introduce amending legislation to free all owner-occupiers from Schedule A considerations, irrespective of ground-rent or leasehold commitments.

Mr GREEN: No. My right hon. Friend pointed out in his Budget statement that Schedule A tax would be payable for 1963-64 on ground-rents. The payer does not bear the tax in these cases but passes it on by deducting it from the ground-rent. Next year there will be no Schedule A tax and ground-rents will be payable in full.

*Hansard, Jan. 14th, 1964. Written Answers. Col. 6.*

### Company Profits

Mr WADE asked the Chancellor of the Exchequer whether the examination by the Inland Revenue and outside experts of the possibilities of bringing taxation of company profits for income tax on to an accounts basis in the same way as for profits tax has yet been completed.

Mr GREEN: There have been discussions on this matter between the Inland Revenue and outside experts but I am not yet able to make any announcement.

*Hansard, Jan. 14th, 1964. Written Answers. Col. 6.*

### Richardson Committee: Report

Mr WADE asked the Chancellor of the Exchequer when he expects the Richardson Committee to report on the practical effects of introducing a turnover or added value tax.

Mr MAURICE MACMILLAN: I understand that the Committee hopes to report in the near future.

*Hansard, Jan. 14th, 1964. Written Answers. Col. 6.*

### Taxation: Residential Qualification

Mr A. LEWIS asked the Chancellor of the Exchequer on what basis the Board of Inland Revenue grant dispensation from residential qualification for tax purposes.

Mr GREEN: The Board has no power to give any dispensation from the provisions under which a person would be regarded as resident here for tax purposes.

*Hansard, Jan. 14th, 1964. Written Answers. Col. 6.*

## LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

### Luncheon Meeting

A luncheon meeting of the London and District Society of Chartered Accountants will be held at the Connaught Rooms, Great Queen Street, London WC2, next Wednesday, at 12.30 for 1 p.m., when the guest speaker will be Sir George Bolton, K.C.M.G., chairman of the Bank of London and South America Ltd.

## THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

### Reception for Retiring Secretary

A reception was given by the President of The Institute of Municipal Treasurers and Accountants, Mr G. C. Jones, F.I.M.T.A., F.C.A., on January 16th at the Chanticleer Restaurant, Roebuck House, London, to mark the retirement of Mr L. F. Cheyney, O.B.E., F.I.M.T.A., F.S.A.A., from the post of Secretary of the Institute.

The many guests included the Vice-President, Past Presidents and members of the Council of the Institute, together with representatives of other accountancy and kindred professional bodies, Government and public offices and the Press, among whom were:

Sir Harry Campion, C.B., C.B.E. (*Director, Central Statistical Office*); Sir Edmund Compton, K.B.E., C.B. (*Comptroller and Auditor-General*); Sir Charles Cunningham, K.C.B., K.B.E., C.V.O. (*Permanent Under-Secretary of State, Home Office*); Messrs W. G. Densom (*Vice-President, Institute of Chartered Accountants in England and Wales*); A. Glen (*President, Society of Town Clerks*); Sir William Hart, C.M.G. (*Clerk of the London County Council*).

Sir Alexander Johnston, G.C.B., K.B.E. (*Chairman, Board of Inland Revenue*); Messrs J. A. Kenyon (*President, Institution of Municipal Engineers*); A. C. S. Meynell (*Past-President, Association of Certified and Corporate Accountants*);

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### THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

#### List of Members

The *List of Members* of The Institute of Chartered Accountants in Ireland, now published, shows that membership at August 31st, 1963, numbered 1,765. An analysis of the membership is given below:

	Members in Ireland	Members not in Ireland
Fellows in practice ..	274	16
Fellows not in practice ..	25	13
Associates in practice ..	201	20
Associates not in practice ..	921	295
Total membership ..	1,765	

The new book contains the usual alphabetical and topographical lists of members, together with names of members of the Council of the Institute.

### PRESTON STUDENTS' VISIT TO ENGINEERING WORKS

A party of fifteen members of The Preston and District Chartered Accountant Students' Society spent an interesting afternoon on January 8th when they visited the offices of Simon Engineering Ltd at Cheadle Heath, Stockport.

During the course of their tour of the offices they examined the accounts systems of Henry Simon (Holdings) Ltd and Henry Simon (Engineering Works) Ltd, where a fully mechanized system has recently been installed, and were shown the transfer of invoices into punched-card form, an automatic sorting machine and a tabulator converting punched-card information into printed form. They also saw a film dealing with a recent Henry Simon mill installation and finally took part in a general discussion about their visit.

### HOUSING STATISTICS

The fourteenth annual return of housing statistics for 1962-63 published by The Institute of Municipal Treasurers and Accountants contains comprehensive figures for eighty-two county boroughs, the London County Council, the City of London Corporation and twenty-eight metropolitan boroughs, together with 262 non-county boroughs, 388 urban and 328 rural district councils.

The total revenue expenditure of all the authorities included in the return was £292,404,373 or £90.3 per dwelling. The major items making up this total were the repairs contribution (£15.4), supervision and

management (£7.2) and loan charges (£64.4). The average rent income, exchequer subsidy and rate subsidy per dwelling were £66.2, £18.3 and £6.1 respectively.

Copies of the return are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, London SW1, price 15s post free.

### COURSES FOR MANAGEMENT

'Analysing company accounts and yields' and 'Capital budgeting and project assessment' are the titles of two one-day courses due to take place in London on February 11th and 12th respectively. They will be repeated in Manchester on February 25th and 27th. The former will include subjects such as use of finance, return on investment and generation of finance, while the second course will deal with such subjects as capital budgets, effect on profits and calculating cash gains.

Further details regarding the courses are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

### SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF JANUARY 26TH, 1889

#### A Weekly Note

#### The position of an Auditor

Messrs. J. B. Ball, Baker & Co., apparently do not regard as of any consequence the opinion of their profession generally, as they do not condescend to explain how it was that they accepted an auditorship which had become vacant, because the previous auditors did not choose to lend themselves to dishonourable practices, or to sign accounts which were, they considered, misleading. It only remains for us to say that their action should form the subject of consideration by the Council. If companies which discharge auditors for doing their duty can obtain without any difficulty other Chartered Accountants to fill their places, the latter are simply putting a premium on dishonesty; and if the Council does not take some action in a case so apparently clear and gross as this it will be most regrettable, and most prejudicial to the best interests of the Institute. Both *The Economist* and *The Statist*, have referred in no very complimentary manner to the concern whose accounts Messrs. Ball, Baker & Co. are willing to audit, and the latter has very pointedly asked whether it is regarded as etiquette for Chartered Accountants to accept audits under such circumstances. The official answer to that question will no doubt come from the Council.

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# THE ACCOUNTANT

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## Inland Revenue Audit

THE Government has this year discontinued the practice of making a separate publication of the Revenue Departments' Appropriation Accounts. Instead, these are contained in a stout volume headed *Civil Appropriation Accounts (Classes 1-5) 1962-63*<sup>1</sup>. The report of THE COMPTROLLER AND AUDITOR-GENERAL, which accompanies the accounts, contains some interesting observations about the Inland Revenue.

THE COMPTROLLER AND AUDITOR-GENERAL, like many other people, has been struck by the anomalous situation under which no attempt is made to balance the amount of tax which a company deducts (or is deemed to deduct) from its dividends, and the amount of tax which the company actually pays. These two amounts never did necessarily march in step; and even less so since the introduction of investment allowances which, in effect, as the report says, wholly exempt part of the company's profit from income tax. Nevertheless, as was established in 1934 in *Neumann v. C.I.R.* (13 A.T.C. 1), a company's dividends paid out of the general fund of profit constitute taxed income in the hands of the recipient. In *Neumann* the shareholder was a surtax payer and therefore the Inland Revenue were anxious to establish that, where the company paid a dividend from which it purported not to deduct tax, the actual payment should be grossed up in computing his total income for tax purposes. They failed in that, and the law was then altered to accord with this view. This certainly steps up the revenue from surtax, but, as the report points out, there is another side to the medal.

What of the vast numbers of people who are not liable to income tax and claim back the somewhat imaginary tax which has been 'deducted', whether on the grounds of personal allowances, charity exemption, losses or some other ground? In the case of shareholders with small incomes there is unlikely to be much manipulation. But where associated companies hold shares in each other, and one pays dividends out of profits which (thanks to handsome capital allowances) are much higher than the profits actually charged to tax, then the recipient is credited with having paid a largely fictional amount of tax. If it incurs a loss, it can 'recover' that tax.

THE COMPTROLLER's officers examined Inland Revenue records for a selection of companies in receipt of large capital allowances, including investment allowances. The total dividends declared by these companies over the period covered by the review would,

<sup>1</sup> H.M.S.O. Price 17s 6d net.

in the assessment of the recipients, have been deemed to be gross income of £228 million, on which tax at the standard rate has been deducted at source. On the other hand, the tax actually yielded from assessment of the companies over the same period (related to profits and other income) totalled £127 million. The difference was largely attributable to the fact that the capital allowances, applied in reduction of the companies' tax liabilities, exceeded depreciation charged in their accounts by £92 million. The capital allowances included £60 million in investment allowances.

As might be expected, it was not practicable to ascertain the full extent to which individual shareholders had been able to obtain repayment of tax deemed to be deducted at the source. In some of the cases concerned, however, where the dividends were paid to parent companies, the gross dividends known to have been used by the parent companies for repayment claims exceeded by £32 million the profits on which the subsidiary companies had paid tax. Thus it appears that in these cases alone repayment has been made of tax on £32 million (i.e. some £13 million tax at the current rate) which had not been received by the Inland Revenue. On inquiry to them, the Inland Revenue confirmed the legality of the position, thanks to sections 184-186 of the Income Tax Act, 1952.

The report also has the usual remarks about fraud and evasion. The statistics show that the results of the investigations completed in the year ended March 31st, 1963, compare with those of the previous five years as follows:

Year ended March 31st	Number of cases	Total charges raised	Penalties and interest included
		£	£
1963	10,944	14,020,699	4,289,258
1962	11,868	18,770,906	5,200,427
1961	9,752	12,905,544	5,549,820
1960	13,734	19,642,073	8,491,884
1959	10,757	18,013,864	6,792,470
1958	14,593	21,529,264	9,495,437

The above figures do not include minor settlements effected by local inspectors relating to untaxed interest, allowances, etc. These amounted to £1,141,370 in the year.

The figures for the year to March 1963 indicate that the Revenue have caught up with the backlog of work thrown up first by the war and then by the uncertainties caused by the *Hinchy* case and by the inadequate drafting of

the new penalty provisions in the Finance Act, 1960. The fall in penalties no doubt to some extent reflects the limitation placed by the Finance Act, 1960, on the maximum amount of penalties, following criticism roused by the *Hinchy* case. Furthermore, the greatly increased powers of the Inland Revenue to raise additional assessments out of time where there has been 'neglect', makes it less necessary to take back duty proceedings. A similar result follows from the new power to charge interest, which can now be done independently of any penalty proceedings as such.

That the poor are always with us is emphasized by the figures of remissions of tax contained in the report. No less than £125,691 tax was written off on the ground of poverty and £512,826 was written off on the grounds of 'equity'. While among the amounts found irrecoverable was £1,369,949 on the ground of insolvency. Taxpayers who contrived to go abroad, or become untraceable, got away with £723,572. The total of £3,342,362 written off consisted as to £2,383,824 of income tax and £455,519 surtax. There is a surprising item of £226,544 excess profits tax written off on grounds unstated. Since this tax ceased to be charged after 1946, it has been an unconscionable time a-dying.

Of the £581 million tax outstanding at the end of March 1963, £240 million represented tax over one year overdue, of which £47 million had been outstanding for five years or more. Of the £581 million there has been removed provisionally £145 million, the Board being satisfied that at least that amount will have to be discharged.

The accounts proper of the Inland Revenue show that 'Salaries etc.' at headquarters and other offices took over £43 million, not including the valuation office which took nearly £8 million as well. Travelling and removal expenses of staff accounted for over £1 million. Collection of tax involved the department in 'miscellaneous expenses' of £234,333, while the expenses and remuneration of clerks to local commissioners of taxes cost the department £137,541.

It is sad to see two cases, certainly rare, of dishonesty by members of the staff. One officer made false claims for post-war credits and another stole some tax. Both were dismissed, prosecuted and sentenced.

# Current Accounts

by J. C. BRACHER, F.C.A.

**A**T the annual dinner of the London Students' Society held on December 9th last, Sir Harry Pilkington made some well received and quite justifiable criticism of the accountancy profession for failing to draft accounts showing a true and fair view.

The Institute of Chartered Accountants in England and Wales has from time to time issued recommendations to its members on the subject of accounting in relation to changes in the purchasing power of money, its most recent dogmata being published in May 1952. Although at last recognizing the limitations of accounts prepared on the historical cost basis, the Council still reject the main suggestions for reform so far proposed in professional circles. Apparently history is preferable to currency.

## Historical Cost Basis

The Council supports the historical cost basis on two counts. They state that:

'It has long been accepted in accounting practice that a balance sheet . . . is an historical record and not a statement of current worth.'

Are the two points of view irreconcilable? In lay circles – and the majority of shareholders, company directors and business proprietors are laymen in so far as accounts are concerned – the balance sheet, if it is comprehended at all, is primarily a measure of the value of the business as a going concern. To the professional reader the balance sheet should be a statement of the capital employed and of the employment of that capital, and it should be so drafted that read in conjunction with the profit and loss account the return on capital employed is apparent.

For these purposes balance sheets, especially of enterprises in which the investment in long-lived capital assets is high, are plainly misleading. Whilst the effects of inflation are reflected in the values placed upon current assets and liabilities, they are not taken into account in fixed assets and shareholders' equity. To some extent this is reflected in the market value of shares whose current worth is many times the original nominal value. The Council's second support for conservative historical cost accounting is that:

'it reduces to a minimum the extent to which accounts can be affected by the personal opinions of those responsible for them'.

The accounts of complex enterprises are full of matters of opinion and convention. The valuation of stocks and work in progress; reserves for depreciation; the treatment of patents, research and development expenditure, jigs and tools, deferred maintenance and taxation, to mention but a few, are all matters which involve opinion. Let us face the fact that accounting is an art and not a science. The challenge to the accountant is to present a true and fair view not only of the profits of the period under review but also of the state of affairs at the balance sheet date. Accounts based on historical cost do neither of these, and in complying with the requirements of the Companies Act, we avoid the problem by merely recording the basis of valuation of fixed assets.

Where reserves for depreciation of long life fixed assets are based upon historical cost, and despite the lead of a few major companies alive to this problem, this is the common practice, the diminution in the purchasing power of money results in the failure of the management to maintain the capital of the enterprise out of revenue. The most startling illustrations of this lack of foresight occur in the ship-operating industry where the replacement of worn-out vessels frequently requires fresh capital and in the future may be largely financed with public money. The shareholders' original investment has been dissipated, and where dividends have been paid these are tantamount to capital distributions.

## Replacement Cost

The various methods so far suggested for the reform of accounts in the light of inflation are severally dismissed by the Council either because of their uncertainty, or because they are argumentative or do not go far enough. It is disappointing to find the highest councils of our profession merely sitting in judgment. We are entitled to expect leadership of reform in the field of the accountant's first responsibility – the presentation of informative accounts – and yet there has been official silence on this most important subject for over eleven years.

The replacement cost method of dealing with fixed assets and depreciation, if followed through to its logical conclusion of writing up the fixed assets and utilizing any capital reserve arising thereon to finance a scrip issue, can solve the

limitations of historical cost accounts and the steps involved are discussed in detail below.

### Replacement Valuation by Cost Indices

Independent replacement cost indices for various capital goods categories are published by *The Economist Intelligence Unit*. Alternatively, the index of the purchasing power of the £ could be used. The latter suffers from the defect of being derived from the cost of a wide range of goods and services, and the use of particular indices for different capital categories will give more accurate results. In any event the point being made is that reasonably independent and authoritative indices are available which will produce, when applied to the original costs of construction or purchase of fixed assets, the current replacement cost. It is assumed that the fixed asset records provide analyses of cost to date by year. Where historical costs include second-hand assets it will, of course, be necessary to apply the index appropriate to the year of purchase to the price paid to arrive at current second-hand replacement value. It must be remembered that the purpose of this exercise is to account for changes in the value of money, and where capital has been invested in second-hand buildings or plant it is only that amount which has to be maintained out of revenue. The indices could be used to arrive at new replacement value for insurance purposes but this would be inappropriate for balance sheet presentation.

Indices are available from *The Economist Intelligence Unit* covering most fixed asset categories found in manufacturing industry from 1938 to date. Land itself may present some difficulty since the question of replacement will not normally arise. In this case the index of the purchasing power of the £ would be appropriate and also in cases where assets acquired prior to 1938 are still in use. Artificial fluctuations due to market conditions and the shortage value of building land and industrial sites have no place in the balance sheet of a business looked at as a going concern.

### Accumulated Depreciation

Having calculated by the use of indices the estimated current replacement cost of fixed assets it will be necessary to ascertain the accumulated depreciation appropriate thereto in order to arrive at depreciated replacement cost. Whether straight-line, reducing-balance or some other method is in use, the recalculation of accumulated depreciation is a simple arithmetic problem. The opportunity should be taken, however, to look

again at the estimates of life and residual value upon which the depreciation rates are based. In my experience, and especially among businesses providing depreciation based on historical cost, the estimated lives are frequently too short. The resulting excessive depreciation rates are sometimes justified on the ground that this compensates for the fact that more realistic depreciation rates are not sufficient to provide for replacement during a period of rising prices.

### Capital Reserves Arising on Revaluation

The excess of estimated replacement cost over historical cost represents the capital appreciation which has occurred as a result of the diminution of the purchasing power of the £ and should be placed initially to capital reserve. The difference between the actual depreciation reserves and the reserves recalculated on replacement values represents the cumulative deficiency in the depreciation set aside out of profits. In so far as free reserves are available, the deficiency should be made good from this source. If they are insufficient for this purpose, the shortage should be deducted from the amount credited to capital reserve. These entries correctly reflect the facts. If sufficient profits have been retained the capital has, in fact, been maintained out of revenue and the appropriation of free reserves to the recalculated depreciation reserve merely clarifies the situation. Where insufficient free reserves exist, the deduction of the shortage from capital reserve reflects the true dissipation of real capital that has occurred through inadequate past provision.

The net capital reserve arising from the foregoing should be incapable of reversion to free reserves and the logical course is to use it to increase the nominal value of the issued share capital or proprietors' interests. In practice it will be more convenient to make a bonus issue of shares at the existing denomination rather than increase the nominal value of the existing issued shares.

### Balance Sheet Presentation

The two main objections to the historical cost balance sheet have now been removed. Both fixed assets and shareholders equity have been so adjusted that the balance sheet is drawn up in a consistent unit of measurement – 'the current £'. The balance sheet, in so far as fixed assets are concerned, should show four figures for each category:

- (1) Cost to the company (memorandum only).

- (2) Estimated current replacement cost.
- (3) Depreciation based thereon.
- (4) Depreciated replacement cost.

There will, of course, also be a note describing the basis on which the assets have been revalued. The capital and revenue reserves, as required by the Companies Act, will be accompanied by notes showing the movement.

### Annual Charge for Depreciation

The charge to profits for annual depreciation will be based upon the estimated current replacement cost at the end of the year or period under review. It is envisaged that the statistical revaluation takes place annually, and if the depreciation policy is such that a full year's depreciation is charged in the year of acquisition (a realistic approach) and the fixed asset accounts are supported by analyses by age, this will not be an unduly onerous task. In some cases it may be sufficient if the review takes place less frequently, and in any case reference to the cost indices will readily indicate whether the year's movement is material. The Council of the Institute objects to the cumulative adjustment of past depreciation deficiencies on the ground that this places undue burdens upon particular years. The adjustment of past deficiencies, however, may be segregated readily from the depreciation appropriate to the year itself and may be shown separately in the profit and loss account after disclosure of the profit of the year, or be the subject of transfer from free reserves. If the latter are insufficient, then the necessary amount must be deducted from the year's capital appreciation credited to capital reserve. For example:

	£
Estimated replacement cost at January 1st .. .. .	1,000
Depreciation thereon - 10 per cent per annum straight line - seven years to date .. .. .	700 - 70%
<b>Depreciated replacement cost .. ..</b>	<b>£300</b>

If 3 per cent inflation occurs:

	£	£
Estimated replacement cost at December 31st .. ..		1,030
Depreciation thereon:		
Brought forward .. ..	700	
Deficiency adjustment - 3 per cent .. .. .	21	
Charge for the year .. ..	103	
		824 - 80%
<b>Depreciated replacement cost .. ..</b>	<b>£206</b>	

The addition to capital reserve will be £30, or

£9 if the £21 deficiency adjustment is not appropriated out of current profits or free reserves.

### Summary of Proposals

The proposals outlined may be summarized thus:

- (1) A statistical revaluation of fixed assets by the application of independent cost indices to historical costs.
- (2) The recalculation of accumulated depreciation based upon the revaluation amounts coupled with a re-appraisal of asset lives.
- (3) The transfer of the gross surplus arising on revaluation to capital reserve and its use for financing a bonus share issue, and the appropriation of the depreciation deficiency from free reserves if sufficient, or from capital reserve where not.
- (4) The charging of annual depreciation based on current replacement costs to profits.
- (5) Frequent, if not annual, revaluations, cumulative depreciation deficiencies being separately appropriated out of current profits or free reserves, or being set off against the capital appreciation where profits or free reserves are insufficient.
- (6) Disclosure in published accounts of original cost, estimated current replacement cost, cumulative depreciation thereon and depreciated replacement cost.

### Advantages Claimed

The proposals have the following attractions:

- (1) The statistical revaluation is independent, simple and cheap. No professional valuation is required. The indices reflect changes in cost or the value of money and hence the calculation produces only the value of the asset to the business as a going concern and is not confused with other influences, such as development values in the property market, which would influence professional valuations and which have no place in the balance sheet.
- (2) The balance sheet is consistently drawn in one unit of measurement - the 'current £'. The shareholders equity more nearly represents its real value and the capital fabric is maintained.
- (3) The replacement cost is constantly before the management which may more readily plan its liquid resources in anticipation of actual replacement.
- (4) Regardless of the tax position profits before tax are measured in real terms, depreciation being charged at today's values.
- (5) The cumulative effects of inflation can be readily seen by comparison of original and replacement costs on the balance sheet. The historical record is also preserved.

# Taxation of Copyright

## Effect of the Post-Cheyney Legislation

by BRIAN LEVER, A.T.I.I.

IT was the Finance Act of 1960 which put an end to the tax holiday enjoyed as a consequence of the decision in the *Cheyney* case. That case (*Carson v. Cheyney's Executor* (38 T.C. 240; 37 A.T.C. 347)) decided that royalties and other receipts falling due after the cessation of a profession, but having their origin in contracts entered into prior to the cessation, were fully covered tax-wise by the Case II assessments made on that profession during its existence and could not subsequently be subjected to tax under Cases III, V or VI at the date of receipt. This decision applied whether the full value of the receipts had been taken into account or not in computing the profits of the profession. Sections 32 and 33 of the Finance Act, 1960, effectively reversed this situation by making such post-cessation receipts taxable under Case VI as they fall due.

That royalties are squarely caught by these sections there can be no doubt, but the limits of effect of the sections on outright sales of copyright are not so easy to discern and the curious are apt to be wrongly influenced at the outset by the inclusion in section 32 of paragraph (b) at subsection (3). This paragraph exempts from the application of the section 'a lump sum paid to the personal representatives of the author' in consideration for the assignment by them, wholly or partially, of a copyright created by the author. The immediate inference is that all other sales of copyright are caught by the section. The intention of this article is to show that such a conclusion would be wrong.

The point is relevant to the cases of those authors who have already formed themselves into companies or who may do so in the future. It also concerns that rarer bird in the literary aviary, the one who decides to set down his quill and retire completely.

### Scope of Section 32

Where the profits of a profession have been computed for tax purposes by reference to earnings and liabilities (as opposed to cash receipts and disbursements), section 32 of the Finance Act, 1960, taxes certain sums, as defined in subsection (2), which may be received after discontinuance. These sums must

- (a) arise from the carrying on of the profession during some period prior to discontinuance;
- (b) not be otherwise chargeable to tax; and
- (c) be limited to that part of their value which was not brought into account in computing the profits for any period prior to discontinuance.

Where the profits have been computed by reference to cash receipts, the qualifications (a) and (b) remain the same, but (c) limits the sums taxable under the section to those which, had the profits been computed on an earnings basis, would not have been brought into computation for any period prior to discontinuance by reason either that the date on which they became due, or the date on which the amounts due became ascertainable, fell after the discontinuance.

It can be accepted that the section does not intend to make fish of one and flesh of another. It would be a strange result which charged, in respect of a profession whose profits during its existence were computed on an earnings basis, post-cessation receipts which would not be similarly chargeable on a like profession whose profits had been calculated on a cash basis.

Now, it would appear clear from the wording used in paragraph (b) of section 32 (2) that post-cessation sales of copyright cannot be charged under section 32 where the author was previously assessed on a cash basis. This paragraph defines the sums which are to be assessed under the section in such a case in these words:

'where those profits or gains were not so computed (i.e. not computed on an earnings basis), any sums which, if those profits or gains had been so computed would not have been brought into the computation for any period before the discontinuance because the date on which they became due, or the date on which the amount due in respect thereof was ascertained, fell after the discontinuance'.

The words are unambiguous, their scope plainly defined and quite incapable of including any sum which does not arise from some bargain concluded by the author in the course of his active career. Unless an option for its sale was granted during that period a sale of copyright subsequent to cessation could not be taxed under the section taken on its own and considered in

isolation. It must follow, therefore, that neither can a retired author previously assessed on an earnings basis be charged on a similar sale.

### Scope Extended by Section 33

Section 33 (1) of the Finance Act, 1960, deals with the case where a right to receive post-cessation sums is sold. The post-cessation sums in question remain exclusively those defined in section 32 so that, once again, copyright sales must be excluded except in so far as any sale may carry the benefit of a pre-cessation contract. The wording relied upon for this construction reads:

'In the case of a transfer for value of the right to receive *any such sums as are described in subsection (2) of section 32 of this Act.* . . .'

These are the opening words of section 33 (1) which then goes on:

' . . . any tax chargeable by virtue of that section shall be charged in respect of the amount or value of the consideration etc.'

### Reference to Copyright in Section 32

There remains for consideration the specific reference in section 32 to a sale of copyright. It is found in subsection (3) at paragraph (b), is confined to sales made by the personal representatives of an author, and excludes the proceeds of such sales from the effect of the section. As we have seen, section 32 taken in isolation would not appear to embrace this type of receipt but section 33 (1) effectively extends its scope so as to include the situation where rights to post-cessation receipts from pre-cessation contracts are 'transferred for value' to another person. It can be contended, therefore, that 32 (3) (b) is relevant only when 33 (1) is in point, its purpose being to exempt sales of copyright by the personal representatives of a deceased author even when those sales carry the right to receipts from pre-cessation contracts.

The final result is that section 32, having been enlarged by section 33 to cope with certain copyright sales as defined in that section, then proceeds itself by subsection (3) (b) to limit the mischief of section 33.

### Effect on Living Authors

What section 32 has done is to close the loophole whereby living authors were able to escape tax on certain earnings of their profession by effecting a cessation at a point in time when contracts already executed still had fruit to bear. Under the *Cheyney* decision this fruit became

immune to tax in so far as it had not been taken into account for assessment prior to cessation; section 32 provides for its subsequent taxation at the date of receipt.

Section 33 has carried the process a stage further and closed another loophole by taxing any sum received for the transfer to another person of the right to receive the post-cessation fruit. Thus, a living author may no longer avoid by one method or another paying tax on income earned during the exercise of his profession.

But when he retires an author usually remains possessed of copyrights created by himself during his career. The sale of copyright by a professional author prior to retirement is taxed on the grounds that it is one of the methods by which he may exploit his talents, but copyright is otherwise considered to be, and is treated as, a capital asset. The situation after retirement is that the copyrights assume their proper character as capital assets and the proceeds from their sales cease to be taxable receipts unless they can be brought within section 32. That can happen only when a sale carries rights to the proceeds of contracts negotiated during the exercise of the profession or where the sale of the copyright was itself negotiated prior to retirement although completed subsequently.

### Deceased Authors

The situation regarding a deceased author is somewhat different if only because retirement in his case has obviously not been contrived for tax purposes and he is unable to enjoy any fortuitous benefit which may result from it. Section 32 has effectively put an end to the *Cheyney* situation whereby royalties from pre-cessation contracts could be received by an author's heirs tax-free; it is unnecessary to carry the process further, as in the case of living authors, and alter the accepted state of affairs whereby owners of a copyright may dispose of its income – which comes to them in the form of royalties – in exchange for a tax-free lump sum. This is, after all, a procedure open to all who are not engaged in the creation of, or in a business of dealing in, copyright. Consequently section 33 is not required to operate in such cases and its application has been curtailed by the introduction into section 32 of subsection (3) (b).

### Further Argument

Not only does the definition of taxable receipts given in subsection (2) (b) suggest that that section was not intended to tax post-cessation sales of

copyright, but this restriction of the section to the taxation of sums accruing from contracts concluded prior to cessation is confirmed by the enactment of section 33 (1).

If section 32 taxed all copyright sales, then surely section 33 (1) would be otiose for, in effect, all the latter does is to bring into charge to tax one restricted type of copyright sale – a sale which carries the benefit of a pre-cessation contract. The taxation of this already restricted type of copyright sale is then further restricted by section 32 (3) (b) to a sale which is effected post-cessation by the author himself.

### Conclusion

It is submitted, therefore, that living authors who have retired, either by metamorphosis into companies or by finally putting away their pens, may sell without attracting tax liability on the proceeds such rights in their copyrights as carry no interest in contracts made prior to retirement.

The representatives of deceased authors may without liability dispose of any copyright whether it carries an interest in pre-cessation contracts or not.

Where an author disposes of copyright in circumstances which invoke the application of

section 33 (1), it may seem at first sight that yet another example of double taxation has been introduced by legislation. Further reflection will show that this is not really so. The author is taxed by reference to the value received for the royalties or other rights he has transferred (to the extent that they are generated by pre-cessation contracts) and the purchasers will also be taxable on the same royalties or rights as and when enjoyed by them.

Had the author disposed of his copyright while still exercising his profession, the proceeds would have been assessed on him under Case II and the purchasers themselves would have been taxable in the normal way on any royalties received from their exploitation of the copyright. The 1960 legislation restores this situation and the relevant sections are carefully drafted to charge only those earnings of the profession which have escaped assessment under Case II because either: (a) they fell due for payment on a date subsequent to the date of cessation, or (b) the amounts due could not be ascertained until after the date of cessation. Both cases presuppose a contract concluded by the author during the exercise of his profession, a contract the value of which was not brought into computation for tax purposes prior to cessation.

# The Accounting World

## SOUTH AFRICA

### Education and Training for the Profession

**D**URING 1962, a comprehensive report on all aspects of the South African system of training and educating entrants to the profession was submitted to the Public Accountants' and Auditors' Board by a special subcommittee which had been appointed for that purpose some years previously.

In its report, the subcommittee expressed the opinion, with which the board agreed, that, in any system designed to produce properly trained accountants, the four basic essentials were:

- (i) a minimum preliminary educational qualification of a reasonably high standard and breadth;
- (ii) academic training at university level;
- (iii) an adequate period of practical training and experience in the office of a practising professional accountant; and
- (iv) a uniform qualifying examination conducted by the profession.

In pursuance of the achievement of these essentials, the subcommittee made certain proposals, some of which were of far-reaching consequence. Some of the

proposals have been accepted and the machinery for implementing them has already been set in motion. For example, the minimum content of the matriculation examination offered by prospective entrants to the profession has been raised and broadened and when it is brought into force in the next year or so will have the effect of limiting, though not entirely eliminating, recognition of technical or craft subjects such as book-keeping, shorthand, typing, etc. Again, the curriculum to be followed at the universities by articulated clerks has been broadened by the addition of university courses in English or Afrikaans, with the emphasis on language and expression, and in economics; the length of time required to cover the curriculum has been increased to five years.

Discussion of other proposals made in the subcommittee's report has been going on in professional circles at various levels for many months and a decision has now been reached in regard to some of them. One proposal was to the effect that the system of service under articles should be abandoned entirely and replaced by a system whereby a trainee accountant would be permitted, with certain limitations, to transfer his services freely from one prac-



tioner to another and thus be able to broaden the training and experience he would receive; the total period of training in one professional office or another in this way to be not less than five years for non-graduates and lesser periods for graduates. However, this proposal has not found favour in the eyes of the profession and has been rejected and dropped entirely.

Another proposal was to the effect that, before being permitted to enter the profession as a trainee, (the expression 'articled clerk' having perforce been dropped as a consequence of the previous proposal), a prospective accountant must either have graduated or have registered as a student (full-time or part-time) at a recognized university for a period of at least two years and must have received credit from the university for at least half the courses prescribed for a degree, provided the subjects for which credit has been received include at least two subjects which are not subjects prescribed for the Certificate in the Theory of Accountancy. (Under the present system, an articled clerk is required to attend one or another of the South African universities as a part-time student for a period of five years and to gain a Certificate in the Theory of Accountancy from such university as a prerequisite to entering for the qualifying examination conducted by the Public Accountants' and Auditors' Board.) Further discussion of this particular proposal has been deferred until the Third National Congress of Chartered Accountants (South Africa), which is to be held in Cape Town in 1966.

### An Aftermath of Decimalization

IT was recently announced that the leading commercial banks in South Africa have decided to introduce an amended scale of charges for handling and collecting cheques on behalf of clients. For many decades, South African banks charged a commission of one-quarter per cent on the amount of 'country' cheques (that is, non-local cheques) deposited by customers for collection, with a minimum charge of 6d per cheque. For some customers and in some circumstances, the charge was reduced to one-eighth per cent.

When decimalization of the currency was brought about in 1961, the minimum charge was fixed at 6 cents per cheque but otherwise no change in the rates was effected. It has since been realized that as these rates are not in true accord with a decimalized currency, an undue number of calculations calling for some agility in mental arithmetic has resulted. Consideration has also been given to the fact that many customers depositing large numbers of local cheques daily have been enjoying, without payment, the fruits of an elaborate clearing system. The amended tariff of charges is intended to overcome these two difficulties.

As from January 1st, 1964, the banks are to charge one-fifth per cent or one-tenth per cent, as the case may be, on the amount of country cheques deposited

for collection, with a minimum charge of 5 cents per cheque. In addition, a charge of 2 cents per cheque deposited for collection by customers is to be made. This charge will be levied in respect of all cheques, whether local or country, handed in for collection by customers paying in more than two cheques in one day.

This change in the tariff only recently announced in the Press, has caused quite a furore and flurry in business circles, but the banks seem unperturbed and have remained firm in their determination to apply the new tariff.

### NETHERLANDS

#### Retirement of Mr J. Kraayenhof

IT was announced this week that Mr J. Kraayenhof, senior partner in the firm of Klynveld, Kraayenhof & Co, of Amsterdam, will be retiring from his firm on February 14th on reaching the age of 65. Mr Kraayenhof has been a partner in the firm over a long period and for very many years, of course, has been a leader of the profession not only in the Netherlands, but internationally.



Mr J. Kraayenhof

Mr Kraayenhof is a Past President of the Netherlands Institute of Accountants and in 1957 he served as President of the Seventh International

Congress of Accountants held in Amsterdam. Prior to this, he was the leader of the Dutch delegation to the Sixth International Congress in London in 1952, while ten years later, in 1962, he addressed the Eighth International Congress held in New York. Mr Kraayenhof has always shown interest in international auditing practice and it is interesting to note that in the early 1950s, on one of his quite frequent visits to London, he addressed the London and District Society of Chartered Accountants on this subject.

We know readers will join us in expressing good wishes to Mr Kraayenhof for a long and happy retirement.

### EAST AFRICA

#### Tax Report

THE East African Income Tax Department covers the administration of income tax (including corporation tax and undistributed profits tax) in Kenya, Tanganyika, Uganda and Zanzibar, and hospital contribution in Kenya. The recently published report of the department for the year ended June

30th, 1963, states that the difficulties normally faced by the department were added to by the large number of persons leaving the territories, reorganization of work following the losses of experienced staff, and large-scale recruitment of African staff and training of new entrants. The report comments feelingly on the problems of planning ahead in conditions which are constantly changing, both within and without the department. The troubles which have reached the headlines recently can hardly have been of assistance.

Tax collected on behalf of the Territorial Governments and the East African Common Services Organization in the year covered by the report amounted to £21,330,498 and was £1,728,838 more than in the previous year. The increase stems in the main from the new corporation tax of 2s in the £ on 'public companies'. The cost of collection, which is first charge on the tax, amounted to £661,921 (excluding the element borne by the United Kingdom Government under the Overseas Aid Schemes).

Collection of arrears has taken up an increasing amount of time. Machine accounting introduced in the three main offices, in Nairobi, Kampala and Dar-es-Salaam, gave rise to some initial difficulties but will effect a long-term improvement. Everywhere but in Tanganyika the arrears have been reduced, notwithstanding steep rises in rates of tax, particularly in Tanganyika itself.

The clearance certificate procedure for persons leaving the territories threw a good deal of work on the department but it has been very effective. Of some £390,000 tax written off in the year, less than 10 per cent related to persons who left after the introduction of the clearance certificate procedure.

The report says pointedly that a certain class of taxpayer would do well to note that the Investigation Branch is still very active. The staff of this branch is to be increased. In the year under review the number of settlements was well maintained, although producing less tax. This kind of work is very skilled and exacting and is perhaps bound to suffer when there is a large turnover in trained staff.

## **UNITED STATES**

### **The S.E.C. and Accounting**

MR WILLIAM CARY, Chairman of the Securities and Exchange Commission, in an address to the Financial Executives Institute, reported in the December *Journal of Accountancy*, quotes Professor Robert N. Anthony as having written in the *Harvard Business Review* that the S.E.C. should set the rules for publication of financial statements. Mr Cary comments that they have the power and that perhaps the S.E.C. should give more concrete rule-making support to decisions of the American Institute's Accounting Principles Board. But, he says, they have no wish to do this and that the profession can help in preventing Government encroachment by participating directly in steps towards agreement on accounting principles.

## **NEW ZEALAND**

### **Accountants in New Government**

FOUR accountants now hold ministerial office in the new National Government following the recent elections.

Mr H. R. Lake, M.P., B.COM., F.P.A.N.Z., retains the post of Minister of Finance and that of Minister in charge of the Inland Revenue Department, Department of Statistics, National Provident Fund, Government Superannuation Fund, and Friendly Societies.

Mr R. D. Muldoon, M.P., F.P.A.N.Z., F.C.A.I., a partner in the firm of Kendon, Mills, Muldoon & Browne, Public Accountants, of Auckland, becomes Parliamentary Under-Secretary to Mr Lake.

Mr J. Rae, M.P., F.R.A.N.Z., of Auckland, retains the posts of Minister of Housing and of Minister in charge of the State Advances Corporation, Public Trust Office, and Life Assurance Office. He has relinquished his appointment as Minister in charge of the Government Printing Office.

Mr D. C. Seath, M.P., F.P.A.N.Z., F.I.A.N.Z., A.A.C.C.A., formerly Associate Minister of Finance, becomes Minister of Internal Affairs, Minister of Civil Defence and Minister for Local Government. Mr Seath studied at Edinburgh University and has been a member of The Association of Certified and Corporate Accountants since 1937.

### **Accountants' Summer School**

THE first residential summer school to be arranged by the New Zealand Society of Accountants will be held this month at the University of Otago, Dunedin, from February 21st-26th. As readers may recall the Secretary of the New Zealand Society, Mr Alan Graham, B.COM., F.R.A.N.Z., last year attended the summer course held by the English Institute at Oxford and also the Scottish Institute's summer school at St Andrews; he returned home convinced that similar courses would prove equally successful in New Zealand with the result that the Society has now organized the first of what is hoped will be an annual school.

Three papers are to be presented, their subjects being 'Management accounting from the viewpoint of a smaller practitioner'; 'The organization of a public accountant's office'; and 'Taxation - principles, purposes and incidents'. Other features will include an open forum on the topic 'The role of the Society in assisting the practitioner' and a visit to a computer installation.

The course is designed to afford members from all parts of New Zealand an opportunity of meeting one another in an informal manner and to promote thought and discussion on professional matters. Group discussions and exchange of views and experiences will play an important part in the proceedings. In order to ensure the success of the course, the number of registrants is being restricted to ninety.

# Weekly Notes

## WATCHDOGS OR BLOODHOUNDS?

THE professional accountants employed by the Ministry of Civil Aviation are the subject of some criticism in the report just published of the Comptroller and Auditor-General which accompanies the *Civil Appropriation Accounts (Classes 1-5) for 1962-63*.

For a wide range of production contracts placed by the Ministry without competition, prices are fixed by agreement *after* the contract has been let. The contract usually provides that the Ministry may have access to the contractors' premises in order to examine the process of manufacture and estimate or ascertain the costs of production. The Ministry negotiate with the contractor on the basis of prices built up from their technical costs officers' estimates of the fair and reasonable cost of direct labour, materials and bought-out components, with the addition of allowances for overheads and profit at rates agreed with the contractor after examination of his accounts by the Ministry's professional accountants. The contract does not provide for access to the contractor's financial records.

In the case of two contractors (for guided missiles) the Comptroller's officers were able to compare the allowances for labour and overheads fixed as above, with the total costs of labour and overheads of the factories concerned. The comparisons showed that these allowances exceeded to an unreasonably large degree the costs of labour and overheads as shown in the accountants' reports. In one of the two cases the Ministry's accountants, to substantiate their recommended overhead rates, provided figures, partly actual and partly estimated, of the total direct labour costs and overhead costs for guided weapon production up to March 31st, 1961. The Ministry negotiated prices on a basis which included the addition of overheads based on the Ministry's accountants' recommendations. The Comptroller says that he observed, however, that the sum total of amounts included for direct labour and overheads in the agreed prices, relating to production up to March 31st, 1961, exceeded by 70 per cent, or £2.7 million, the total direct labour and overhead costs for that period as furnished by the Ministry's own accountants, although the accountants' figures had been available when the prices were fixed.

The Ministry told the Comptroller in October 1963 that they had not compared the two sets of figures before the prices were fixed. It was a method of cross-checking which was only of value in exceptional circumstances. The Ministry had not realized

that it could have been used in the present case. Investigation of the discrepancy was continuing.

Immediately after the report was published last week the Government announced an independent inquiry by a team of three, including Mr J. D. Russell, M.A., F.C.A., a partner in the firm of Binder, Hamlyn & Co, Chartered Accountants, and a member of the Council of the Institute. It is to investigate the circumstances in which the agreed prices may have allowed an excessive profit to the firm concerned and examine the system of arriving at prices. A spokesman for Ferranti Ltd on the same day said that if the inquiry concerned the Bloodhound and Ferranti, they would welcome it.

## H.-P. COMPANY AND REPOSSESSED GOODS

A HIRE-PURCHASE finance company which repossesses goods and sells them is not bound to obtain the best possible price. Thus held Mr Justice John Stephenson in *Scottish Midland Guarantee Trust v. Woolley* at Leeds Assizes on January 24th. Mr Woolley hired certain contractor's plant from the company and defaulted on his payments when £2,660 was still owing. The company repossessed the plant, sold it for £825, and sued Mr Woolley for the balance of £1,835 and costs. Defending the action Mr Woolley maintained that the plant ought to have fetched £2,860. The company denied selling at give-away prices. It had adopted the simplest method of selling. More private canvassing or public auction might have produced better results.

His lordship said (according to *The Financial Times* of January 25th) that although there seemed at first sight to be a hardship, the company was under no legal obligation to obtain a fair market price. He gave judgment to the company for the £1,835 and costs.

## AN EX GRATIA PAYMENT ENFORCEABLE

IN a test action an airline pilot has established that his former employer must pay to him a sum equal to the amounts paid by it in respect of him into a superannuation fund (*Edwards v. Skyways Ltd*). In 1959 Skyways Ltd had agreed to make, and had made, a similar payment *ex gratia* to certain of its pilots who had then become redundant. Captain Edwards had been employed by the company from June 1955 until March 31st, 1962. Skyways declared him redundant in January 1962 and offered him alternative employment. The British Airline Pilots Association took up his case and there was a meeting between its representatives and representatives of Skyways on February 8th, 1962. The Association had in mind the payments of 1959 and Skyways agreed to make a similar *ex gratia* payment to redundant pilots who were also to receive back their own superannuation contributions.

Subsequently Skyways argued that the *ex gratia* payment was by its own terms not enforceable, and

declined to make it. It argued that both sides well knew that the word *ex gratia* was used in this sense, as it had income tax implications which both sides were familiar with. Mr Justice Megaw, however, held that the payment was enforceable; *ex gratia* carried no implication that it was not enforceable, and the evidence fell short of showing that it was so understood by the parties. The amount involved was £881 in Captain Edwards's case but might be reducible on account of tax. Accordingly his lordship granted an adjournment to enable counsel to draw up the exact terms of the appropriate order (*The Times*, January 22nd).

### ESTATE DUTY AVOIDED

**A**N ingenious method of avoiding estate duty in certain cases has been established as a result of the judgement of Mr Justice Wilberforce in *Public Trustee v. Commissioners of Inland Revenue* (*The Times*, January 22nd). His lordship held that where property was settled by a will on discretionary trusts during the lifetime of X. and thereafter for Y; Y., before X.'s death, settled his reversion on similar discretionary trusts for seven years or the lifetime of X. if longer, and X. died during the seven years, then the property did not pass on the death of X.

The will of Sir Robert Park Lyle (who died in 1923) left property in trust to pay the income, during the life of his daughter Gertrude, to Gertrude herself or to all or any of her issue or to certain other persons. Thereafter the property was to go to her issue in equal shares. She died on July 28th, 1961, leaving three children, one of whom was Mr John Tatton Kirkwood. In the ordinary way all the property would have passed on Mrs Kirkwood's death, under section 1 of the Finance Act, 1894, and would have attracted estate duty accordingly.

However, a few days before her death, on July 17th, 1961, the son assigned his reversionary interest in one-third of the property to the trustees of the will, for seven years or until the death of his mother, whichever period was longer. They were to hold the reversionary interest on the same trusts as the will for the discretionary class, and subject thereto on trust for the son absolutely. This document also provided that the trustees might, at any time after Mrs Kirkwood's death, upon written request, transfer to the son the whole or any part of the property.

The Crown claimed that the deed of variation was a settlement which took effect after the life interest so that there were consecutive trusts, a change taking place on the death of the mother. His lordship held, however, that there was a recasting before the death to produce a single trust which survived the mother. The alternative argument of the Crown was that the property was caught by section 22 (1) (d) of the Finance Act, 1894, which included property passing after an interval following a death. It seemed to the learned judge more reasonable that these words in section 22 (1) (d) were intended to cover

a direction to accumulate income for a period to pay off a mortgage debt before the property passed to a successor. In a case like the present the Court had to look at what actually happened, not at what might have happened if the mother had lived longer.

### INSTITUTE'S E.D.P. PILOT COURSE

**A** PILOT course on electronic data processing is being held at Hastings this week by The Institute of Chartered Accountants in England and Wales. Its primary purpose is to establish a cadre of Institute members willing to lecture or act as group leaders at subsequent residential computer courses which the Council of the Institute is hoping to make available to members in general, and also to test the usefulness of the programme as a basis on which future courses can be arranged.

Those attending the course this week – some thirty-four in number – are therefore firstly putting themselves in the place of members of the profession knowing little about computers and their application, and secondly, they will make suggestions for amendments and improvements.

Among the subjects being considered are 'The computer system'; 'Use of the computer in business'; 'Auditing a computer system', and 'The accountant and auditor of the future'. The course director is Mr D. W. Hooper, M.A., F.C.A., who has as his assistant directors: Messrs R. P. Brown, F.C.A., F. Clive de Paula, F.C.A., F.C.W.A., and Mr Brian A. Maynard, M.A., F.C.A.

A report of the course will appear in next week's issue.

### IRISH INSTITUTE'S EXAMINATIONS

**I**N Part V of the examinations of The Institute of Chartered Accountants in Ireland held during November and December last, Mr W. B. Lyster, of Dublin, was awarded First Place; Mr G. C. Bland, of Dublin, was awarded Second Place and Third Place was won jointly by Mr C. E. Hession, also of Dublin, and Mr T. A. W. Patterson, of Newtonabbey, Co. Antrim.

Mr R. O. Welton, of Belfast, won First Place in Part IV; Mr A. J. M. F. Richards, of Bangor, Co. Down, was awarded Second Place, and Third Place was awarded to Mr B. V. M. Walsh, of Dublin.

The First Place in Part III of the examinations was won by Mr H. J. Gibson, of Belfast, and Second Place was awarded jointly to Mr M. Candon, of Dublin, and Mr J. G. O'Brien, of Dublin.

Mr E. I. Johnston, of Belfast, won First Place in Part II; Mr C. D. Abia, of Dublin, was awarded Second Place, and Third Place was won jointly by Mr R. A. O'Loughlen, of Dublin, and Mr E. A. O'Neill, also of Dublin. In Part I, First Place was won jointly by Mr R. J. G. Burnside, and Mr M. F. Maze, both of Belfast. Third Place was won by Mr F. D. Rice, of Newry, Co. Down. The full results appear on other pages.

### MUNICIPAL TREASURERS' EXAMINATIONS

A TOTAL of 1,062 candidates sat for the examinations of The Institute of Municipal Treasurers and Accountants held last November. The results now announced show that of the 356 candidates who sat for Part A of the Final, 133 (37 per cent) were successful; in Part B, 217 candidates sat and 99 (46 per cent) passed.

Places and prizes have been awarded on the results of the May 1963 and November 1963 examinations and in the Final examination the First Place and prize of twenty-five guineas, together with the Arthur Collins Memorial Gold Medal, were won by Mr David Michael Gasson, of the Borough Treasurer's Department, Middlesbrough. The Second Place was won by Mr Brian Clifford Davis, of the Borough Treasurer's Department, Eastbourne, and the Third Place by Mr Hugh Lavaine Gwyther, M.B.E., of the District Audit Department, Ministry of Housing and Local Government.

There were 489 candidates for the Intermediate examination, of whom 157 (32 per cent) passed, the First Place and prize of fifteen guineas being won by Mr John Alan Parkes, of the County Treasurer's Department, Derbyshire. The Second Place was won by Mr Charles Arthur Tunley, of the City Treasurer's Department, Birmingham, and the Third Place by Mr Malcolm Alsopp, of the County Treasurer's Department, Derbyshire.

The names of the successful candidates in Parts A and B of the Final, together with a summary of the complete results, appear elsewhere in this issue.

### MONOPOLIES COMMISSION CRITICIZES WALL-PAPER GROUP

THE Monopolies Commission report on the supply of wall-paper, which was commissioned by the Board of Trade on September 25th, 1961, has now been published<sup>1</sup>.

The Commission found that the conditions as defined in the Monopolies and Restrictive Practices (Inquiry and Control) Act, 1948, prevailed in that The Wall Paper Manufacturers Ltd with its manufacturing subsidiaries (W.P.M. Group) was responsible for more than one-third of the supply of wall-paper in the United Kingdom. It also found four of the practices of the Group were done for the purpose of preserving the monopoly conditions and operated, or might be expected to operate, against the public interest. These were:

- (a) the acquisition of interests in undertakings engaged in the manufacture, merchandising and retailing of wall-paper;
- (b) making exclusive agreements or arrangements with wall-paper distributors;
- (c) making arrangements with distributors for

maintaining the resale prices of 'pattern book ways';

- (d) the acquisition and use of premises for retailing wall-paper.

Of the first three the Commission found that they operated against the public interest. It recommends:

- (a) that the group should need Board of Trade consent for further acquisitions;
- (b) that the group should not revive, without similar consent, the practice of exclusive trading in its supply of wall-paper;
- (c) that the group should terminate its existing resale price maintenance arrangements in relation to its sales of wall-paper and should not enter into any such arrangements in future so long as it continues to supply at least one-third of the total United Kingdom production of wall-paper.

### LONDON STUDENTS' PRESIDENT'S MEETING

ADDRESSING the President's Meeting of The Chartered Accountant Students' Society of London in Guildhall on Monday evening, Sir Miles Thomas, D.F.C., M.I.MECH.E., M.S.A.E., former Chairman of British Overseas Airways Corporation and British Productivity Council, emphasized the vital part that good accountancy had to play in the development of large-scale industry, especially in the field of transport. Tracing the rise of Morris Motors Ltd, of which he was at one time managing director, he said that in the 1920s the instinctive thrift accountancy methods of Mr Morris, as he then was, paid handsome dividends; he had an accountant who provided him with up-to-the-



Sir Miles Thomas addressing the President's Meeting of The London Chartered Accountant Students' Society in Guildhall last Monday evening. Left: Mr E. F. G. Whinney, M.A., F.C.A., President of the Society, and right, Sir Harold Howitt, G.B.E., D.S.O., M.C., D.L., F.C.A.

<sup>1</sup> H.M.S.O. Price 4s 6d (by post 4s 10d).

minute news which enabled him to build up his empire.

Going on to deal with flying, he said that he firmly believed that accountancy came clearly into the line of management and was not just an inert service. Accountancy looked to the future as well as reporting on the past. Until they knew more about the finance and accountancy of supersonic aircraft, he was inclined to deplore the wild rush of airlines to get their names in the queue on an order sheet for an aircraft which had not yet been specified, of which the cost could not possibly be known, of which the economics were hazy and which did not even consist of a few faint lines on a drawing-board.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 209

PERHAPS the most important of today's many stirring admonitions to accountants is the exhortation to delegate. Think big, we are told. Dream greatly. Pass the detail work down the line; push the more technical queries sideways to specialized colleagues; clear the desks. Leave adequate time for planning ahead; have vision; delegate.

It wasn't always like that. When I came to this company as a young secretary/accountant the boot was on the other foot. I was specifically instructed to have all the details ready at my finger tips, at least two of the directors waxing purple with outrage if I delegated anything.

I remember I'd been little more than a week in the job. I was buried in a ten-year tabulation of departmental sales when a meek cough at the door heralded the arrival of a blue-overalled and blushing junior typist. Please could she have Saturday off, she murmured; she'd been picked for the Town Cup Final team . . . hockey, left wing . . . she'd have to travel. Her voice trailed off despondently in anticipated defeat.

It seemed an odd request to bring direct to my exalted office, but she explained that it was the standing rule. She'd asked her supervisor; her supervisor referred her to me. No one else had authority. So I summoned the supervisor, a lady with grey streaked hair and a hard stare, and asked about precedents and past history.

Streaky confirmed the policy. Top-level permission minimized abuse. These youngsters always wanted time off for hair-do's, parties, weddings and such-like trivialities; my predecessor had taken a firm line. Pressed further, she produced a red notebook with past records; that firm line was an understatement, it

### BUILDING SOCIETIES IN 1963

ACCORDING to figures released by the Building Societies Association last week the building society movement as a whole established record figures last year compared with 1962. Lending to home buyers went up by 40 per cent, from £613 million to an estimated level of £862 million, and total funds increased from £3,815 million to about £4,400 million. At the end of 1963 £222 million was promised to prospective borrowers to complete house purchases in the early months of 1964 and this figure was 50 per cent higher than the same commitment at the end of 1962.

appeared. Apparently little short of pneumonia justified absence. I had a quick appreciative memory of the hushed concentration and the furtive side-glances in the typing pool.

I reminisced about a memorable and historic Wednesday when I was picked for a big Rugby match, and about my principal's enthusiastic proffer of the day off. But the supervisor didn't relax. Men, she said coldly, were different. Not, she admitted, that we had any set policy, but in general the management had always favoured strict discipline; if you granted a concession to one you couldn't refuse another. Concessions were nearly always abused.

I said that later on we'd have to discuss the general principle further, leaving unsaid the thought that Streaky might not be the ideal lady to whom to delegate uncontrolled discretion. Meantime, however, our hockey player had had no time off for many months past; her general record was excellent, her work was up to date. *Ergo*, her request was granted; *mens sana* and so on. Without more ado I called her in and wished her success. She seemed startled, Streaky more so, but they said nothing further.

Someone else did, however. We had in those days a director who acted as office contact, a grudging character who thought small. He entered later, obviously fully briefed, and after some preliminary comments emphasized his wish that none but I should grant time off. I agreed, but said I'd like a talk on staff procedures later. He let this pass. Then he said that it was probably unwise to give immediate consent; my predecessor had always temporized, never giving consent or refusal till the last moment. Uncertainty enhanced diligence; the practice had worked well for years. He himself, said the director, had exercised rigid control by scrutinizing the weekly absence summary.

Those furtive side-glances . . . like galley slaves? Or the song of the shirt . . . 'stitch, stitch, stitch, with fingers weary and worn' . . . wot, no knout? It was time to make a stand. My predecessor, I said, had obviously a touch of the sadist; I aimed to temper justice with humanity. The director said nothing, but his silence was eloquent.

We've come a long way since.

# Reviews

## Journal of Accounting Research Vol. 1, No. 2, Autumn 1963

Published jointly by The Institute of Professional Accounting, Graduate School of Business, University of Chicago, and the London School of Economics and Political Science, University of London. Subscription rates: 30s for one year; 55s for two years; lecturers and teachers 20s for one year. Appointed agents in the United Kingdom and Europe: Gee & Co (Publishers) Ltd, London.

When a research journal purports to be sponsored by academic institutions in two countries, one is entitled to look at the contributions of each in assessing its nature. The *Journal of Accounting Research* has so far drawn almost entirely upon writers in the U.S.A.; the second issue, dated Autumn 1963, contains only one British contribution, from Mr Miles Kennedy (who has since gone to the University of California). What is perhaps more disturbing is the virtual absence of reference to British works by any of the American authors. This cannot be due to ignorance; Mr Carl Devine, in his paper 'The rule of conservatism re-examined' quotes British case law and German and Dutch literature on the subject; his references to F. Sewell Bray and J. M. Keynes provide the only indication in the entire issue that British writers exist.

If this observation appears disturbing, further examination of the contents of the *Journal* reveals weaknesses which may arise, in part at least, from this narrowness of outlook. By far the longest paper in the issue – E. J. Smolinski's 'The adjunct method in consolidations' – reads very well until it is seen to be based on two false premises: an elementary accounting error on page 177, where unrealized inter-company profits are eliminated *after* consolidation of group companies' book profits; and a rather more subtle legal error, the failure to separate the *personae* of a company and its shareholders.

Mr Miles Kennedy, reviewing a book on statistical sampling for accounting information, attributes the influence of statistics on accountants to the Second World War. (That there may have been earlier works than an article in the *New York CPA* for October 1947 is certainly correct). Professor Sidney Davidson's paper 'The day of reckoning – accounting theory and management analysis', an adaptation of his inaugural speech as Arthur Young Professor of Accounting at the University of Chicago, shows a strange eagerness to flog horses long since deceased; to rediscover the necessity to recognize obsolescence when it occurs or to include only normal overheads

in valuing inventories, does not seem entirely in accordance with the idea of accounting research.

But this issue of the *Journal* does contain some good things. The University of California would appear fortunate to possess both Professor W. J. Vatter and Mr C. T. Devine; the latter's paper, already mentioned, is an erudite and original re-examination of the rule of conservatism, or caution, from which it can be seen that accountants' traditional attitudes are not as irrational as they have seemed to some commentators.

Professor Vatter, under the forbidding title 'Postulates and principles', does a sterling job of differentiating between these and other abstract terms ('doctrines', 'conventions', 'objectives', 'procedures and methods'). Starting from the two monographs on accounting postulates published by the American Institute of Certified Public Accountants, he draws attention to the assumptions and imperfections inherent in accounting methods, as in all measurements, and emphasizes the narrative and analytical aspect of accounting.

'If our readers were to find in financial statements the story that ought to be told there, they might better be able to understand why uniform accounting is not desirable, why some accounting measurements are tentative while others are not, and why there may be differences in the effects of price shifts and technological changes in seemingly similar situations.' (Page 197.)

The issue also includes a study of the decisions of some U.S. firms which adopted accelerated depreciation methods approved by the Internal Revenue Code of 1954. The author found that some directors preferred accurate financial reporting to minimizing tax outlays, which confirms findings in relation to similar problems in France.

## Central Purchasing by Local and Public Authorities

A Research Study by a group led by JACK WHITTLE, B.COM., F.I.M.T.A., F.C.A., (Institute of Municipal Treasurers and Accountants, London. 21s).

This is a most excellent publication which must have an appeal and a relevance far beyond the confines of its declared limits. Central purchasing is, in fact, practised widely in private industry, especially where centralized accounting has shown the need for such a system.

What many accountants may, however, have been unaware of is the flexibility of systems of central purchasing. It is not 'all or nothing' and the purposes may be achieved in various degrees according to the individual needs of each organization.

Quite apart from a general exposition on how such a system works, the research group responsible for this work has studied how quality control is introduced and how it assists; the problems of central storage, including what goods are suitable for a central store; as well as problems in specific cases – the nationalized



gas and electricity boards and the hospital services where Ministry purchasing creates a still greater centralized purchasing responsibility.

The book ends with a general recommendation to local and public authorities to examine their existing systems and to adopt as part of an efficient process some suitable form of central purchasing (or of joint purchasing where more appropriate). There is, additionally, a series of most interesting appendices illustrating standing orders issued by certain authorities, a list of external testing establishments, and a copy of the questionnaire used during their studies by the research group.

### Phillips' Probate and Estate Duty Practice

*Sixth edition*, by D. R. L. B. HOLLOWAY, LL.B. (HONS.). (The Solicitors' Law Stationery Society Ltd, London. £5 5s. Post free.)

Mr Holloway is a new broom and as he is employed in the Principal Probate and Divorce Registry he is singularly well fitted to produce a valuable new edition of this work which is, of course, of an extremely practical nature. He has thoroughly revised the whole of the text and brought it up to date. Parts have been rewritten and expanded, in particular those dealing with trust corporations, residuary gifts, incapacitated persons and the procedure for lodging papers to lead to a grant of representation. The reviewer's copy of the book has already enabled one lay person to obtain letters of administration without the assistance of a solicitor; everything is so clearly explained and includes practical detail so often irritatingly left out of ordinary textbooks.

The Appendix of Statutes has been greatly enlarged, not only to include relevant Acts passed since the last edition, but also to include the relevant parts of older statutes to which reference has often to be made in this branch of the law. The editor draws attention to the repeal of the Wills Act, 1861, which was pending when the book was published. The liberalization of will making agreed at the ninth session of the Hague Conference on private international law has been ratified by the passing of the necessary Act, to which reference will be necessary.

### Sales Organization and Control

by CHARLES H. LACEY, Dip.Litt., F.F.T.COMM., and CYRIL S. DEVERELL, M.A., B.SC.(ECON.), B.COM., F.C.I.S., A.M.B.I.M. (Gee & Co (Publishers) Ltd, London. 30s.)

This is an excellent and timely book with the virtue that the authors write not merely from a theoretical knowledge of their subject. Both, in fact, have spent some years in the actual field of selling and distribution. They are now working in the same department of business studies at Brighton Technical College.

Written primarily to cover the syllabuses of a

number of institutions on this subject, the book should nevertheless be of general interest to all who have to understand selling methods and techniques and those whose job it is to study methods of controlling selling, salesmen and credit control. This is where the accountant, whether in commerce or the profession comes in. With the growth of 'depth' techniques in auditing, the professional accountant has to understand methods of control, and the organization charts and the chapters dealing with procedure, credit control, allocation for advertising, sales costs and budgeting will be both interesting and instructive to him – as much as anything, for their 'non-accounting' approach.

Being essentially practical, this book is not over-long and though this is in many ways an advantage and means that there is no waste of words, nevertheless one or two illustrations might with advantage have been added, for example in the sales budget chapter. Possibly this is something the authors could consider for another edition – for it seems clear that there will be further editions of a book with such an eminently readable and practical approach. The illustrations of travellers' reports are excellent and the book is printed in neat and pleasing type.

### RECENT PUBLICATIONS

PACIOLO ON ACCOUNTING, by R. Gene Brown, PH.D., C.P.A., and Kenneth S. Johnston, PH.D. With an Introduction by Alvin R. Jennings, C.P.A. xviii + 144 pp. 9½ × 6½. 46s. McGraw-Hill Publishing Co Ltd, Shoppenhanger Road, Maidenhead, Berks.

THE OFFICES, SHOPS AND RAILWAY PREMISES ACT, 1963. Edited by The Rt Hon. Lord Meston. 56 pp. 8½ × 5½. Card covers. 8s 6d net. Property Owners Protection Association Ltd, Spencer House, South Place, London EC2.

CARTEL LAW OF THE EUROPEAN ECONOMIC COMMUNITY, by Frederick Honig, William J. Brown, M.C., Dr jur. Alfred Gleiss and Dr jur. Martin Hirsch. x + 183 pp. 10 × 6½. 35s. Postage 1s 8d extra. Butterworth & Co (Publishers) Ltd, London.

THE TRAINING REVOLUTION, by John Wellens. 136 pp. 8½ × 6. 12s 6d net. Evans Brothers Ltd, London.

LAWS OF BUSINESS MANAGEMENT AND THE EXECUTIVE WAY OF LIFE, second edition, by George Copeman, PH.D. xix + 222 pp. 9 × 6. 42s net. Business Publications Ltd, London.

HOW TO STUDY INSURANCE with special reference to examinations, by W. A. Dinsdale, PH.D., B.COM., F.I.L. 92 pp. 7½ × 5. Paper covers. 6s 6d net. Sir Isaac Pitman & Sons Ltd, London.

OFFICE PRACTICE TODAY, teacher's edition, by F. C. Thurling, B.A.(HONS.), A.C.I.S. vii + 370 pp. 7½ × 5. 18s net. Sir Isaac Pitman & Sons Ltd, London.

LAW AND PRACTICE OF SOUTH AFRICAN INCOME TAX, by I. Isaacs, Q.C., B.A., LL.B., and W. D. Fielding, C.A.(S.A.), F.S.A.A., in collaboration with L. Lazar, B.A., LL.B.(RAND.) Consulting editor M. J. Wells, B.COM. lxxii + 1,009 pp. 10 × 6. £8 10s net. Postage 3s 6d extra. Butterworth & Co (Africa) Ltd, Durban; Butterworth & Co (Publishers) Ltd, London.

ELEMENTS OF INSURANCE, by W. A. Dinsdale, PH.D., B.COM., F.I.L. xviii + 214 pp. 9 × 6. 18s net. Sir Isaac Pitman & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.



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£395 per £100 in May 1954, stands out. Capital-Units - £170 since £100 in December 1958 - has not done badly, while Scotshares (£120 since £100 in November 1959) and Income-Units (£129 since £100 in October 1960) have more than held their own against the boogey of inflation.

## Inflation

Inflation is an old enemy of the thrifty. A bill of costs of the time of Elizabeth I – one sees them in old parish accounts – looks positively ludicrous now. In recent times, with two wars to accelerate the process, the withering of money has been terrible, although nothing like what has been experienced in other countries. £100 of 1914 is still, probably, a bit over £20 in purchasing power.

The worry is, for those who have lived long enough: Where is it all going to end? For the new-comers, the major inflation of the last half-century is something outside their ken. But even in these post-war, relatively peaceful days, cold civil war exists with organized regiments of men fighting for a bigger piece of the national cake. And still the cost of living, the price of a home, fares to work, etc., go up.

Will the value of invested funds in stocks and shares also continue to go up? Who can read the future? Who could have known that £100 invested in March 1937 would now be worth nearly £1,000.

Nothing, it will be noted, has been said about income. All of these trusts, in greater or lesser degree, show income improvement – but for most men for most of their lives, it is what is happening to their savings that matters most. The £10-a-week pension of 1948 is already down in purchasing power to well under £7.

## Objective

One point more must be emphasized: there are other unit trust organizations besides Save and Prosper; well-managed, with equally good, if not better, performance by individual trusts. New ideas to give new attraction to the basic investment theme are thought up. One organization gathers in Richard Dimpleby, another, Lady Barnett. Trusts with a regional flavour are formed. Save and Prosper has its Scotshares with a modicum of Scotland in the portfolio. The National Group has just produced its Shamrock Unit Fund with a touch of Ireland in the list of investments from which the initial portfolio will be built.

But the main objective is investment in equities with a spread of risk beyond the resources and capacity of the individual investor.

To which must be added a word of warning. Investment of this nature is long-term. The stock-market on which equity investment is based moves up and down. The sensible course, if one goes in for this sort of thing, is to invest regularly, weekly or monthly, so that the ups and downs are averaged. Meantime, the reprints will no doubt keep readers busy.

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**SAVE AND PROSPER GROUP LIMITED  
AND ITS SUBSIDIARY COMPANIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER 1963**

£	1962	£		£	1961
363,328			<b>GROUP PROFIT FOR THE YEAR</b>		
			before charging taxation, but after charging the items set out below .....		509,777
	11,606		Remuneration of the Directors of Save and Prosper Group Limited .....	20,135	
	1,850		Pension to widow of former Managing Director.....	1,850	
	1,904		Auditors' fees .....	2,153	
	3,940		Amounts written off Fixed Assets.....	6,556	
	<u>19,300</u>			<u>30,694</u>	
			Deduct: Estimated Taxation on the profit of the year:		
	136,099		Income Tax .....	201,449	
180,399	44,300		Profits Tax .....	68,042	269,491
	<u>182,929</u>				<u>240,286</u>
			<b>NET PROFIT FOR THE YEAR AFTER CHARGING TAXATION .....</b>		
			The Profit for the year dealt with in the accounts of Save and Prosper Group Limited was:		
			£111,630	£240,286	
			<u>71,397</u>		
			Balance at 30th September, 1962, brought forward.....		249,433
	£55,188		Add: Provision for Future Management Expenses no longer required	£245,431	
			Less: Taxation thereon:		
	26,700	£20,525	Income Tax .....	£94,008	
		6,175	Profits Tax .....	32,506	
				<u>126,514</u>	118,917
	—		Taxation Provision no longer required.....		10,511
					<u>378,861</u>
99,885	28,488	—	Less: Amount capitalised on issue of bonus shares.....	123,500	255,361
	<u>282,814</u>				<u>495,647</u>
			Deduct: Stamp Duty on Capital increases.....	3,725	
			Transfer to General Reserve.....	250,000	
			Dividends, less Income Tax:—		
	6,676		Interim of 5% paid 30th June, 1963.....	20,028	
33,381	26,705		Proposed Final of 10%.....	40,058	
				<u>60,086</u>	313,811
			<b>BALANCE CARRIED FORWARD</b>		
	163,667		Save and Prosper Group Limited.....	113,335	
	85,766		Subsidiary Companies .....	68,501	
	<u>£249,433</u>				<u>£181,836</u>

**INVESTMENT-TRUST-UNITS**

Account of the Managers of the Trust relating to the creation of, dealing in and holding of units and the Management of the Trust for the year ended 30th September, 1963

September, 1963	£	1962 £
Stock of repurchased units on hand 30th September 1962 (at cost)	16,463	14,876
Cash appropriated to the Trust Fund	3,229,859	1,446,495
Unit Trust Instrument Duty	8,082	3,626
Dividend equalisation on new Units	15,100	9,391
Units repurchased (at cost)	2,011,613	1,388,762
Stamp Duty on sales and repurchases of Units and on contract notes	40,550	29,379
Agents' commission paid by the Managers on sales of Units	41,058	25,265
Balance, carried down from:—	£	%
"Holding" of new Units (see Note)	1,233	·03
Gross Profit on sales of new Units	103,406	3·06
Total and % of proceeds of sales of new Units	104,639	3·09
"Holding" of repurchased Units (see Note)	8,219	·38
Gross Profit on sales of repurchased Units	71,577	3·31
Total and % of proceeds of sales of repurchased Units	79,796	3·69
	184,435	88,292

		£	1962
Sales of new Units:—		£	
Underlying Securities	3,252,554		1,451,187
Preliminary Charge on sales of new Units	122,575		54,754
Rounding off and accrued income in the sale price of new Units	7,023		9,877
			<hr/>
Total proceeds of sales of new Units		3,382,152	1,515,818
Sales of repurchased Units		2,158,672	1,398,777
Proceeds of Units liquidated	—	—	73,247
Accrued income (net) received from the Trustees in respect of liquidated Units	—	—	352
			<hr/>
Distributions (net) on Units held		298	1,429
Stock of repurchased Units on hand 30th September 1963 (at cost)		6,038	16,463

**Note:** "Holding" Profits or Losses are those resulting from variations in the quoted prices of Units between the dates of creation or repurchase (the quoted prices of Units disposed of from the Managers' stock being deemed to be the price at which they were included in such stock) and the dates of sale or liquidation of the Units.

	£5,547,160	£3,006,086
Trustees' Remuneration and Charges	£ 5,762	£ 7,485
Advertising and Publicity	36,228	7,203
Management Expenses (Salaries, Rent, Bank Charges, Directors' Emoluments, Expenses of half-yearly distributions and General Expenses)	76,059	61,391
Amount set aside in respect of the future remuneration and expenses of the Managers and the Trustees (Note.—Amounts set aside in prior years and deposited with the Trustees totalled £44,252. This amount has now been released by the Trustees and is credited in the Profit and Loss Account of the Managers for the year ended 30th September, 1963.)	—	2,742
Balance, being profit accruing to the Managers	123,825	61,306
	£241,874	£140,127

	£5,547,160	£3,006,086
Balance brought down	£184,435	£88,292
Income (gross) from assets deposited with the Trustees in respect of the future remuneration and expenses of the Managers and of the Trustees	2,272	1,065
Remuneration for managing and servicing the Trust, based on the capital value of the Trust Fund	55,167	50,770
	<u>£241,874</u>	<u>£140,127</u>

## INVESTMENT-TRUST-UNITS

Accounts for the Period from 16th April,  
1963, to 15th October, 1963

## CAPITAL ACCOUNT

	£	£
Fund at 15th April, 1963 (represented by investments at offer price valuation and uninvested cash at that date)		30,503,979
Amount vested on issue of Units		1,726,076
		<u>32,230,055</u>
Add: Realised surplus on sale of investments (see note)	176,708	
Less: Appreciation thereon brought to account at 15th April, 1963	<u>117,614</u>	
Excess of proceeds over valuation at 15th April, 1963 Net proceeds from sales of rights to subscribe for new shares, applied in reduction of the cost of the relevant holdings retained		59,094
	<u>£6,489</u>	
		<u>32,289,149</u>
Unrealised appreciation of investments over the half year		2,337,257
Fund at 15th October, 1963		<u>£34,626,406</u>
Represented by:—		
Investments at offer price valuation at 15th October, 1963	34,559,401	
Balance at Bank	<u>£311,351</u>	
Add: Amounts receivable in respect of:—		
Investments sold	50,062	
Units created	<u>42,241</u>	
		403,654
Less: Amounts payable in respect of investments purchased	<u>336,649</u>	
Uninvested Cash	67,005	<u>£34,626,406</u>

Note: Surplus on the realisation of investments represents the excess of proceeds of sale over the average cost of the investments concerned except that the investments purchased before 15th October, 1959, have been taken into average at their offer price valuation at that date.

## INCOME AND EXPENDITURE ACCOUNT

	£	£
Income (Gross) receivable for the half-year (including amount brought forward from last distribution period)		556,743
Deduct: Management charge (under Clause 13 (A) of the Trust Deed)		<u>34,115</u>
		522,628
Deduct: Income Tax thereon:—		
Deducted at source	215,738	
Less: Estimated recoverable	<u>11,367</u>	
		204,371
Add: Equalisation receivable on issue of new units	318,257	
	<u>9,314</u>	
		327,571
Deduct: Amount carried forward to next distribution period		<u>1,469</u>
Amount to be distributed on 30th November, 1963 (equivalent to 7/10d. net per 100 Units in respect of 83,260,000 Units in issue on 15th October, 1963)		<u>£326,102</u>
Represented by:		
Balance at Bank	263,892	
Add: Amounts receivable	<u>97,794</u>	
		361,686
Less: Management Charge payable	34,115	
Balance to be carried forward	<u>1,469</u>	
		35,584
		<u>£326,102</u>

## CITY NOTES

**P**OLITICAL disquiet, not only at home, has kept its grip on the stock-markets. Mr Harold Wilson's outline of a Labour Government's attitude towards profits and dividends has been a point of considerable discussion, with optimists hopefully grasping at the straw held out by the assumption that a Labour Government would not descend to out-and-out dividend limitation.

It is clear enough, however, that paying dividends would necessitate paying the rate for the job in terms of distributed profits tax. But discussion on that point is purely hypothetical, since the impact of such a tax depends entirely on its weight.

What does seem clear is that, at a time when an overhaul of corporate taxation is in the air, the Labour Party is thinking in terms of complicating the structure still further.

What the stock-market as a whole needs now, is a clearing of the air generally and that is a most unlikely event during the months leading up to what is likely to prove the bitterest election in years.

## RATES AND PRICES

Closing prices, Wednesday, January 29th

Tax Reserve Certificates: interest rate 19.1.63 2½%

	Bank Rate		
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%

	Treasury Bills		
Nov. 22	£3 15s 0.11d%	Dec. 27	£3 14s 5.08d%
Nov. 29	£3 14s 9.42d%	Jan. 3	£3 14s 4.19d%
Dec. 6	£3 15s 4.58d%	Jan. 10	£3 14s 3.33d%
Dec. 13	£3 14s 8.89d%	Jan. 17	£3 14s 3.63d%
Dec. 20	£3 14s 4.45d%	Jan. 24	£3 14s 3.81d%

	Money Rates		
Day to day	2½-3½%	Bank Bills	
7 days	2½-3½%	2 months	3½-3½%
Fine Trade Bills		3 months	3½-3½%
3 months	5-5½%	4 months	3½-3½%
4 months	5-5½%	6 months	3½-4%
6 months	5½-6%		

	Foreign Exchanges		
New York	2.79 <sup>11</sup> / <sub>16</sub>	Frankfurt	11.11 <sup>7</sup> / <sub>8</sub>
Montreal	3.02 <sup>3</sup> / <sub>8</sub>	Milan	174 <sup>1</sup> / <sub>2</sub>
Amsterdam	10.08 <sup>5</sup> / <sub>8</sub>	Oslo	20.03 <sup>1</sup> / <sub>2</sub>
Brussels	139.35 <sup>1</sup> / <sub>2</sub>	Paris	13.71 <sup>1</sup> / <sub>8</sub>
Copenhagen	19.34 <sup>1</sup> / <sub>8</sub>	Zürich	12.07 <sup>1</sup> / <sub>8</sub>

	Gilt-edged		
Consols 4%	66 <sup>1</sup> / <sub>8</sub>	Funding 3% 59-69	92
Consols 2½%	42 <sup>3</sup> / <sub>8</sub>	Savings 3% 60-70	88xd
Conversion 6% 1972	105	Savings 3% 65-75	80½
Conversion 5½% 1974	100 <sup>3</sup> / <sub>8</sub>	Savings 2½% 64-67	93 <sup>3</sup> / <sub>8</sub>
Conversion 5% 1971	99 <sup>3</sup> / <sub>8</sub>	Treas'y 5½% 2008-12	94½
Conversion 3½% 1969	93 <sup>1</sup> / <sub>8</sub> xd	Treasury 5% 86-89	91
Conversion 3½%	59 <sup>1</sup> / <sub>8</sub>	Treasury 3½% 77-80	79 <sup>1</sup> / <sub>8</sub>
Funding 5½% 82-84	98 <sup>1</sup> / <sub>8</sub>	Treasury 3½% 79-81	77 <sup>1</sup> / <sub>8</sub>
Funding 4% 60-00	94 <sup>1</sup> / <sub>8</sub>	Treasury 2½%	42½
Funding 3½% 99-04	66	Victory 4%	95½xd
Funding 3% 66-68	92 <sup>3</sup> / <sub>8</sub>	War Loan 3½%	58 <sup>1</sup> / <sub>8</sub>

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed*

## Training of Articled Clerks

SIR, — Mr H. J. Harvey's letter in your January 25th issue has misinterpreted the meaning of my phrase 'falling into the hands of those who have no current experience of the practice of the profession', in my letter published in your issue of December 14th.

Co-operation between practising accountants and schoolmasters is obviously desirable in any tuition course for articled clerks. But the point of my reference was that since the whole qualification of the chartered accountant and the training of articled clerks is centred on the ability to meet the requirements of the actual practice of the profession and not merely the passing of examinations, any such course must be conducted by those who have current experience in the practising side of the profession.

The aim of the London intensive introductory courses is to enable the articled clerk to make better use of the practical experience he is meeting in his office, and at the same time to make him a more useful member of the office team. This again is an eminently practical objective and calls for tuition by practising accountants as a primary factor in the course.

From the beginning of the organization we have sought the co-operation and help of colleges of commerce and the professional tutors, including Mr Harvey's college, and it has been freely given.

We have every hope that in the future we shall continue to have full co-operation from colleges of commerce which is essential if this scheme is to succeed.

Yours faithfully,

C. V. BEST, *Chairman,*

JOINT COMMITTEE OF THE LONDON  
CHARTERED ACCOUNTANTS' DISTRICT  
SOCIETY AND STUDENTS' SOCIETY.

London EC2.

## Depreciation in Accounts

SIR, — I hesitate to take up further space in your columns on this subject but feel that the letter from Mr Goch (January 4th issue) calls for a reply to round off the exchange, at least so far as he and I are concerned. The subject is one which, of course, cannot be exhaustively dealt with through the medium of a correspondence column so I will merely state briefly a few points.

Mr Goch and I have apparently been dealing with different measurements. My earlier references were to the measurement of total profit against total capital employed, regardless of where the profit arose and how the assets were employed. In my opinion this is the fairest measurement of the performance of the board of directors who are responsible for the

total activity of the company. In this case *all* assets and *all* profits (including interest on investments) must be included in the measurement of return.

I am glad we are now agreed that depreciation retentions do form part of the capital employed and are not additions to it. I must, however, say that I did not 'attribute' to Mr Goch the statement that such retentions should not form part of the capital employed. To quote from his first letter 'it must be pointed out that these funds are *additional capital employed*'.

I have not denied the figures of return on capital used in Mr Goch's original letter because it is a well-known fact that from the acceptance of a false premise anything can be proved. Any valid argument on this subject must assume that the charge for depreciation in accounts is a fair measure of actual physical depreciation. This being so I suggest that any fixed assets depreciated over ten years cannot possibly earn the same profit in the last year of their life as they did in the first. The quantum of capital reduces with use.

Assume, therefore, that it is more realistic to expect the profit earned in the final year of the asset's life to be one-third of that earned in the first. From the example given the figures would be:

*first year* — net book value £10,000 — profit £1,500 — return 15 per cent;

*last year* — net book value £5,000 — profit £500 — return 10 per cent.

On the original cost basis the rate of return falls from 15 per cent to 5 per cent. It could well be agreed that 10 per cent is a more realistic measurement of the company's success than is 5 per cent.

I hope that Mr Goch and I, despite our differences of opinion, have together shown that this is a fruitful field for constructive thought.

Yours faithfully,

Burnham, Bucks.

W. D. ASHCROFT.

## Diploma in Management Accounting

SIR, — The co-operative effort of accounting bodies to recognize the need for creating a post-qualification diploma in management accounting services is to be applauded.

Even the appearance of a comprehensive definition of management accounting is worthy of praise since it will no doubt afford some comfort to many accountants who have, unknowingly, been applying such methods for many years, but were under a misapprehension that the phrase covered the mysticisms of organizations other than their own.

Few accountants will disagree with the implication that a specialist approach is necessary to implement modern control techniques and those of us in industry even less so.

The suggested junior examination for members of the English and Irish Institutes is completely out of keeping with the otherwise progressive outlook portrayed by the joint announcement.

Yours faithfully,

Hoddesdon, Herts.

R. E. LEE, F.C.A., A.C.W.A.

FOR STUDENTS

## DISCONTINUED BUSINESSES

## Effect of Finance Act, 1963

THE basis of assessment, under Case I or II of Schedule D, of a business that ceases in 1963-64 or earlier is as follows:

Final year of assessment: Profits of period from April 6th to date of discontinuance.

Penultimate year: Profits of preceding year with an option for the Inland Revenue to increase the assessment to the actual profits of the year of assessment, if higher.

In spite of the option given to the Inland Revenue, some part of the profits escape assessment in the closing years of a business. This gives scope for manipulation of profits in certain businesses and for artificial discontinuances.

The following example illustrates the extent to which profits may escape assessment.

**Example 1**

A. ceased trading, after many years, on April 30th, 1963. His accounting year ended on that date and the accounts for the final four years showed the following adjusted profits:

	£
Year to April 30th, 1960 .. .. .	7,000
" " " " 1961 .. .. .	6,000
" " " " 1962 .. .. .	12,000
" " " " 1963 .. .. .	2,400

The assessments for 1961-62 onwards, calculated to the nearest month, will be:

1961-62	£
Year to April 30th, 1960 .. .. .	7,000
1962-63	
Year to April 30th, 1961, £6,000 increased to year ended April 5th, 1963, i.e. $\frac{1}{12}$ th $\times$ £12,000 + $\frac{11}{12}$ ths $\times$ £2,400 .. .. .	3,200
1963-64	
Period from April 6th to 30th, 1963 $\frac{1}{12}$ th $\times$ £2,400 .. .. .	200
	<u>£10,400</u>

It will be noted that only £1,000 of the profits of £12,000 for the year ended April 30th, 1962, is in fact assessable.

To prevent such avoidance the Finance Act, 1963, repeals the old provisions and provides that, in respect of the cessation of a trade or profession in or after 1964-65, the chargeable profits of the penultimate and pre-penultimate years of assessment will be adjusted on an actual basis, if the total of the profits of both those

two years of assessment together exceed the total of such profits when computed on their normal basis periods.

**Example 2**

B. Ltd ceased trading, after many years, on April 30th, 1964. The accounts for the final four years showed the following adjusted profits:

Year to April 30th, 1961 .. .. .	£7,000
" " " " 1962 .. .. .	6,000
" " " " 1963 .. .. .	12,000
" " " " 1964 .. .. .	2,400

(It will be noted that the amounts are the same as in Example 1).

The assessments for 1962-63 onwards (calculated to the nearest month) under the new law will be:

	Final assessments	£	£
1962-63			
Year to April 30th, 1961 .. .. .		7,000	
Amended to year ended April 5th, 1963 $\frac{1}{12}$ th $\times$ £6,000 + $\frac{11}{12}$ ths $\times$ £12,000 .. .. .			11,500
1963-64			
Year to April 30th, 1962 .. .. .		6,000	
Amended to year ended April 5th, 1964 $\frac{1}{12}$ th $\times$ £12,000 + $\frac{11}{12}$ ths $\times$ £2,400 .. .. .			3,200
		<u>£13,000</u>	<u>14,700</u>
1964-65			
Period from April 6th to 30th, 1964, $\frac{1}{12}$ th $\times$ £2,400 .. .. .			200
			<u>£14,900</u>

The Inland Revenue would originally raise assessments for 1962-63 and 1963-64 on a preceding year basis (total £13,000) but as assessments on an actual basis for both years together give a total of £14,700 the two years' assessments would be increased to £11,500 and reduced to £3,200 respectively.

The similarity is noticeable between the new right of the Inland Revenue in respect of the penultimate and pre-penultimate years and the taxpayer's option in respect of the second and third years of assessment, together, in the case of a new business.

Although the new provisions are aimed chiefly at preventing avoidance of tax they may operate to the advantage of the taxpayer, as will be seen from the following example.

**Example 3**

A. had traded for many years making up his accounts to 31st March annually. He ceased trading on 30th June, 1964. The accounts for the final periods were as follows:

Year to 31st March, 1962	..	..	..	£18,000
" " " " 1963	..	..	..	10,000
" " " " 1964	..	..	..	16,000
Period to 30th June, 1964	..	..	..	6,000

The assessments under the old and new law respectively would be as follows:

<i>Old law</i>				
1962-63				£
Year to March 31st, 1962	..	..	..	18,000
1963-64				
Year to March 31st, 1963, £10,000 increased to actual	..	..	..	16,000
1964-65				
Period April 6th to June 30th, 1964	..	..	..	6,000
				<u>£40,000</u>

*New law*

1962-63				£
Year to March 31st, 1962	..	..	..	18,000
1963-64				
Year to March 31st, 1963	..	..	..	10,000
1964-65				
Period April 6th to June 30th, 1964	..	..	..	6,000
				<u>£34,000</u>

Under the new law the assessments for 1962-63 and 1963-64 will not be on an actual basis as this would give a total of £26,000 (£10,000 + £16,000) which is less than the total on a preceding year basis, i.e. £28,000 (£18,000 + £10,000).

## NOTTINGHAM CHARTERED ACCOUNTANTS' BIENNIAL DINNER

Despite thick fog, more than five hundred members and guests made their way to the Sherwood Rooms, Nottingham, on January 21st, for the biennial dinner of the Nottingham Society of Chartered Accountants.

**Tribute to Accountants**

Proposing the toast of 'The Institute of Chartered Accountants in England and Wales', Mr Wilfred Miron, O.B.E., T.D., Chairman of the National Coal Board East Midlands Area, paid tribute to accountants' work for industry, and more particularly for the Coal Board. He said:

'One is filled with awe and admiration for your profession. I am interested more in mineral wealth and I want to speak of the service and loyalty the chartered accountant gives to industry and industrial enterprise.'

'On behalf of an undertaking with an annual turnover of £185 million; an annual wages bill of £80 million; annual capital investments of £17 million and an annual profit of something in the region of £19 million to £20 million I would like to pay tribute to the loyalty, integrity and skill of this great profession. In fact, these figures should give you an obvious indication of the reliance we repose in your profession.'

Responding to the toast, the President of the Institute, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., said the Coal Board had given a lead to industry in mechanizing their accounting systems, and added:

'The Institute is running, as a pilot scheme, a data processing course at the end of this month. And it is largely with the help of one of the Board's chief accountants that we have been able to get the course going.'

On the question of streamlining industry, Mr Winter said that if industry was going to compete in the highly competitive markets at home and abroad there needed to be lower costs and increased efficiency.

'It is up to the accountants both in industry and in

practice to provide the information for management, on which it can formulate policy and make decisions.'

He stressed that it was important to encourage the younger generation coming into the Institute to take an interest in accounting for management.

The President of the Nottingham Society, Mr T. Ashton, F.C.A., said the influx of new members to district societies would encourage committees to widen their activities.

'In Nottingham, we are justified in claiming that we have more than kept up with the changes in the accountancy world of the past few years - especially perhaps in the field of education.'

**Courses for Articled Clerks**

Locally, said Mr Ashton, there had been a number of introductory courses for new articled clerks, and also day release courses organized by the Students' Society. He continued:

'These are showing remarkable signs of success. We have a Chartered Accountants' Award for school leavers, and, of course, there is the Howitt prize - awarded by Sir Harold Howitt. Recent talks with the University will, I am sure, lead to closer co-operation, and I would like to take this opportunity of publicly thanking both the University and the technical college for their help.'

Mr Ashton was responding to the toast of 'The Nottingham Society of Chartered Accountants', proposed by Mr Haydn Taylor.

Mr W. L. Dunn, F.C.A., proposed the toast of 'The Guests', and Mr Charles Hodgson, O.B.E., M.INST.T., Chairman of the East Midland Traffic Commissioners, replied.

Among the guests who were not able to attend the dinner because of the dense fog and poor traffic conditions was the Lord Mayor of Nottingham, Alderman Cornelius Cameron.

### Three Machines in One

FOR several years the *Ruf Adjutant* has been available. This machine consists of a typewriter fitted with a front feed attachment; the figure keys of the typewriter are linked via solenoid-operated plungers to the keys of an adding lister. In this way, the units form a single-register accounting machine. If desired, all three units can be disengaged so that the user has a correspondence typewriter and a separate adding machine.

However, to separate the units has required the careful handling of the heavy solenoid unit. This operation has now been obviated by the most recent model. The keyboard of the add-lister previously covered by the solenoids is now exposed for use at all times and to bring the add-lister into separate use merely entails the pulling out of a plug.

Price: Standard Model, £564

The Ruf Organization Ltd, Imperial Buildings, Horley, Surrey.

### New Intercom Units

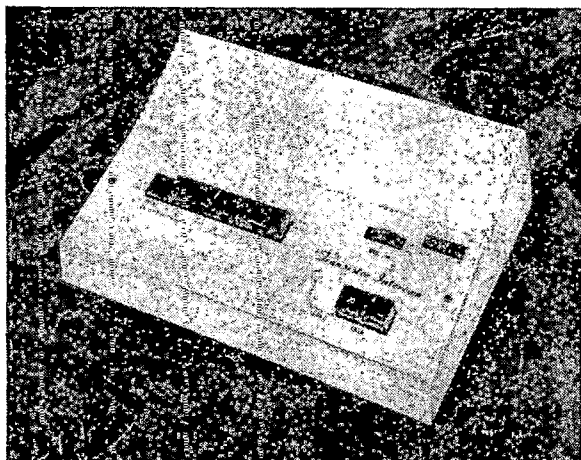
NOW being marketed in England, the *Aiphone Intercom System* gives a fully transistorized unit, with two-wire distribution, visual and audible signalling, and easy volume control.

With a fully automatic press button system, the *Aiphone Intercom* is ideally suited for internal and external departmental communication. The equipment is very sensitive and attractively styled in cream/grey plastic and metal cabinets.

Systems are master-to-master (mutual system), master to subs (master selective system) or masters-to-sub (compound system), available as battery or mains operated. The equipment has a unit to unit range of 550 yards, and units are available from two-way to thirty-six-way.

As an example of cost: a four-way, fully intercommunicating system (four masters) costs £48, complete, fully guaranteed.

Sole marketing agents for the United Kingdom: Tecades Ltd, 182 Upper Richmond Road, Putney, London SW15.



*The new low-cost Aiphone Intercom*

## New Office

A RANGE of low-cost intercom equipment, under the name of *Telecall*, has been introduced by Caribonum Office Machines Ltd. This equipment, available in both battery and mains-operated versions, offers direct speech between two or twenty points. The range includes both master and slave and fully intercommunicating systems; the units are of neat, modern design, cased in either two-tone metal or polystyrene. Amplification is achieved through printed circuits, with transistors to all master units, for a range of over a mile.

All call facilities for paging are possible on all units and as many conversations as there are units can take place simultaneously. Station selection is by push button and a privacy key is fitted to all masters.

Battery-operated equipment is available in two-, three- or five-way versions while mains-operated systems can be five-, ten- or twenty-way. Specialized slave units are available, ranging from a small door phone with a 1½ in. speaker, to a large speaker for factory paging. Battery fed all-masters are obtainable for up to thirteen points and mains all-masters for up to twenty points. All units are made for wall mounting or desk top use.

Price according to size of installation.

Caribonum Office Machines Ltd, Leyton, London E10.

### Keeping the Desk Tidy

MOST desk-top bookstands are cumbersome and book ends do not always solve the problem of keeping bulky volumes upright. A simple new idea from the makers of Beanstalk trays consists of L-shaped metal supports.

The vertical stroke of the L has a narrow channel into which the cover and some pages of a book are slipped. The base of the L, on which the book and its neighbours rest, is covered by a sheet of serrated rubber. With the weight of the books upon it, this sheet grips even the most slippery desk-top surface. A row of books can thereby be supported in position on a desk by the use of two of these simple book ends aptly called 'invisible'.

Price: 15s 6d a pair.

Beanstalk Shelving Ltd, Chichester, Sussex.

### For Analysis Work

THE *Series 488 Statistical Analysers* have been designed to provide custom-built equipment to meet particular numerical quantity-analysis problems.

The analysers are keyboard instruments for recording numerical data on a number of registers. Each key is linked with one register and each depression of a key adds one count to its register.

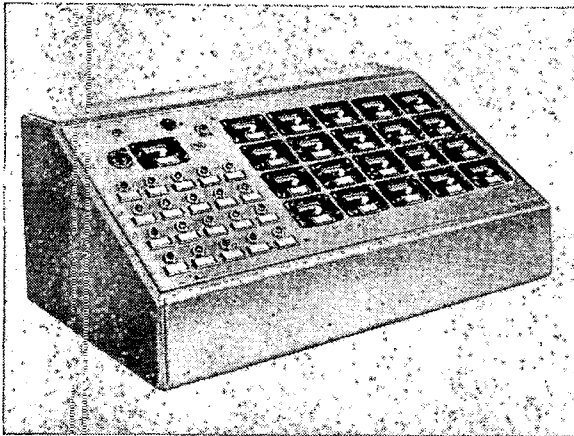
The model illustrated has twenty registers and a



# Equipment

grand total register. All registers are individually resettable to zero. This model is also provided with an automatic pulsing device that causes the selected register to count at a regular rate for as long as the appropriate key is pressed. The operator releases the key when the required quantity has been entered.

These analysers can be used for order and sales



*The E.N.M. Statistical Analyser*

analysis, work and machine loading, work-content measurement, stock and production control.

Price: Model illustrated, around £200.

English Numbering Machines Ltd, Queensway, Enfield, Middlesex.

## Copying and Duplicating – On Lease

**RONEO** – a name perpetuated by the *Oxford English Dictionary* in the word 'roneo' – have announced a new scheme, in conjunction with the General Guarantee Corporation, whereby most *Roneo* equipment can be leased.

For every £85 worth of this equipment leased, there is a charge of approximately 2s a day. The scheme covers four different models of stencil duplicators, the *Scanomatic* stencil cutter, three different models of photocopier, the *Roneosealer* and the simple (and often overlooked) *Roneo* stencil addressing machine.

For accountants, perhaps the most useful items of equipment are the *Model 550* duplicator which will handle a paper sheet size up to 17 in. by 13 in. and the *Streamliner Major*. The latter is a transfer diffusion copier for copies as large as brief size.

Roneo Ltd, 17 Southampton Row, London WC1.

## Copying for Stockbrokers

**U**NDER the Stock Transfer Act, 1963, stockbrokers are able to use document-copying methods for making out the blue brokers' transfer forms – thereby saving valuable time and the risk of costly errors. However, the results must be permanent and the standard pre-printed brokers' transfer form must be used.

A suitable method is xerography, for the reasons that the common information can be copied direct on the standard form as supplied by printers. This form is, of course, unsensitized, and readily acceptable by registrars.

The stock transfer form itself is the master from which all the brokers' transfer forms are subsequently made. The master is inserted in a typewriter once only before being dispatched to the vendor, and no intermediate typing stage is needed so eliminating filing and collating.

Brokers' transfer forms must be kept by registrars for many years. Xerography produces copies of tested archival permanence and which are acceptable in the courts of law.

Close registration is essential to ensure that the data is copied on exactly the right part of the form.

The paper-feed tray of the *Xerox 914 Copier*, which utilizes the xerographic copying principle, is loaded with pre-printed brokers' transfer forms; the dial is set to the number required of each master and the machine delivers them automatically at the rate of 420 per hour.

If stockbrokers wish, pre-stamped transfers may be used. The *Xerox* system has received the approval of the Stock Exchange and the Bank of England, and complies with the points made and directions given in the *Stock Exchange Guide* (sections 36 and 84, and the footnote to section 2).

Price: Machine rental £30 a month.

Rank Xerox Ltd, 84 Gt Portland Street, London W1.



*Xerox 914 Copier*

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BEAL, YOUNG & BOOTH, Chartered Accountants, announce the retirement from active practice on December 31st, 1963, of Mr FRANK B. YOUNG, F.C.A., after many years as a senior partner of the firm, and the admission into partnership on January 1st, 1964, of Mr GEOFFREY WILLIAMS, F.C.A. The style of the firm remains unchanged, but as from January 13th, the address of the Southampton office is 9 Cumberland Place, Southampton. Telephone: Southampton 21231 (unchanged).

MESSRS BINDER, HAMLYN & Co announce that they have formed, in conjunction with their principal overseas associates, the BINDER-SEIDMAN INTERNATIONAL GROUP which initially comprises the following firms: *Members:* BINDER, HAMLYN & Co, United Kingdom, Australia, Switzerland; DEUTSCHE WARREN-TREUHAND A.G., Germany; SEIDMAN & SEIDMAN, U.S.A.; THORNE, MULHOLLAND, HOWSON & MCPHERSON, Canada, The Bahamas. *Associate:* FRESE, HOGEWEG, MEYER & HÖRCHNER, The Netherlands, Belgium.

MESSRS ARTHUR L. BLOWER & Co, Chartered Accountants, of Wolverhampton, announce that Mr B. J. MILLINGTON, A.C.A., has been admitted to partnership as from January 1st, 1964.

MESSRS WILLIAM JACKSON & Co, Certified Accountants, of 111 Union Street, Glasgow, have admitted Mr ROBERT A. COCHRANE, A.A.C.C.A., into partnership, as from January 1st, 1964. The style of the firm remains unchanged.

MESSRS KANO, CREED & Co, of London, announce that as from December 1st, 1963, they have admitted into partnership Mr MICHAEL KENNETH BERGER, A.C.A., and Mr DENNIS OSBORNE MORGAN, A.A.C.C.A., and that Mr LOUIS KANO, F.A.C.C.A., has ceased to be a partner. The style of the firm remains unchanged and a branch office has been opened at 5 High Street, Guildford, Surrey.

MESSRS MACFARLANE GRAY & Co, announce that they have opened a branch office at 125 High Street, Auchterarder, Perthshire.

MESSRS R. H. MARCH, SON & Co, Chartered Accountants, announce that they have removed their London office to 21 College Hill, Cannon Street, London EC4.

MESSRS PANNELL, FITZPATRICK, GRAHAM & CREWDSON, announce that Mr DONALD ALEC WRIGHT, A.C.A., is now a partner in their Trinidad office.

MESSRS THORNTON BAKER & Co, Chartered Accountants, of Lee House, London Wall, London EC2, announce that Mr PAUL T. D. SANDERS, A.C.A. (the son of Mr T. H. SANDERS, F.C.A.), has been admitted to partnership and will practise at their Wellingborough office.

MESSRS WHINNEY, SMITH & WHINNEY, Chartered Accountants, announce with deep regret the death in Manchester on January 22nd, of Mr SIDNEY VAUX TURNER, F.C.A., who had been in their Manchester office for many years and a partner in the firm since 1950.

## Appointments

Mr G. A. Sellers, A.A.C.C.A., has been appointed to the board of Peploe & Partners (Holdings) Ltd.

Mr J. M. Cohler, F.A.C.C.A., has been appointed by the Minister of Agriculture to be a member of the board of the Land and Agricultural Bank of Northern Rhodesia.

Mr John M. Stuart, A.C.A., has been elected managing director of Glovers of Ripon Ltd. He will continue as company secretary.

Mr W. H. Boardman, F.C.W.A., group chief accountant for the Leyland Motor Corporation, has been appointed to the board of Standard-Triumph International Ltd.

Mr R. W. Sergeant, B.COM., F.C.A., has been appointed chief accountant of The United Africa Co Ltd, to succeed Mr A. P. Ravenhill, F.C.A., who leaves the company on March 31st.

## COMPANY INVESTIGATION

Mr A. P. Hughes, F.C.A., partner in the firm of Farrow, Bersey, Gain, Vincent & Co, Chartered Accountants, of London, and Mr Leonard Caplan, Q.C., have been appointed by the Board of Trade under section 165 (b) of the Companies Act, 1948, as inspectors to investigate the affairs of Allied Produce Company Limited.

## SICKNESS BENEFIT CLAIMS

### Present Provisions to be Reviewed

The Minister of Pensions and National Insurance has asked the National Insurance Advisory Committee to review the time limits for sickness benefit claims under the National Insurance scheme. The full terms of reference are: 'To review the time limits for claiming sickness benefit under the National Insurance Acts and the related provisions for giving notice of incapacity for work; and to report'.

The Committee invite representations on this question. These should be made in writing and sent before April 22nd to the secretary, National Insurance Advisory Committee, 10 John Adam Street, London WC2.

## THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

### Scale of Professional Fees

The report and recommendations of the special committee on professional fees, referred to in *The Accountant* of December 21st, was considered by the Council of the Association at its meeting on January 15th.

While not dissenting from the views expressed by the special committee, the Council suggested several respects in which further information would be desirable and requested that the committee attempt to obtain that information. The Council also felt that further consultation with The Institute of Chartered Accountants in England and Wales would be desirable before any final decision was taken.

**Dinner at House of Lords**

Lord Latham entertained the President, Vice-President and members of the Council of The Association of Certified and Corporate Accountants to dinner at the House of Lords on Friday of last week. Among those also present were

The Viscount Colville of Culross; Sir Leslie Ford (*General Manager, Port of London Authority*); Mr A. H. Grainger (*Vice-Chairman, London Transport Board*); The Lord Granchester, O.B.E.; The Rt Hon. Douglas Jay, P.C., M.P.; Mr D. J. T. Lawman (*Managing Director, Prestige Group Ltd*); Mr D. G. N. Lloyd-Lowles (*Chairman, Tap & Die Corporation Ltd*); Mr G. E. McWatters (*Chairman, John Harvey & Sons Ltd*); The Rt Hon. The Viscount Mills, P.C., K.B.E.

Mr J. A. R. Pimlott, C.B. (*Under-Secretary, Ministry of Education*); Sir Richard Powell, K.C.B., K.B.E., C.M.G. (*Permanent Secretary, Board of Trade*); Mr J. E. Rennie, C.B.E. (*Chairman, Potato Marketing Board*); Mr John Rodgers, M.P.; The Lord Shepherd; The Viscount Simon, C.M.G. (*Chairman, Port of London Authority*); Mr T. H. Smeddles (*Chief General Manager, Royal Insurance Co Ltd*); Mr R. J. W. Stacy, C.B. (*Under-Secretary, Board of Trade*); Mr Geoffrey P. Stevens, M.P., and Mr A. B. Valentine (*Chairman, London Transport Board*).

**London Students' Society**

A dinner for students and their guests has been arranged to take place at the House of Commons on Saturday, March 21st, at 7 for 7.30 p.m. Those wishing to do so will have the opportunity of touring the Palace of Westminster prior to the dinner.

Further details may be obtained from the Secretary, Certified Accountants' London Students' Society, 22 Bedford Square, London WC1.

**LEEDS AND BRADFORD STUDENTS' RESIDENTIAL COURSE**

The thirteenth annual residential course arranged by the residential course joint committee of The Leeds, Bradford and District Society of Chartered Accountants, The Chartered Accountants' Students' Society of Leeds and The Bradford and District Chartered Accountant Students' Society, will be held during the periods March 2nd-5th (for Intermediate students) and April 6th-9th (for Final students) at Grantley Hall, near Ripon.

The courses will cover a wide variety of subjects within the Institute's syllabus and will also enable students to discuss their problems with lecturers and amongst themselves. The course secretary is Mr Edward S. Cropper, c/o Blackburns, Robson, Coates & Co, City Chambers, Infirmary Street, Leeds 1. Applications to attend the course should be received no later than February 10th.

**THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, February 3rd, in the vestry of St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be 1 Samuel, chapter 15, verse 22.

**WAR DAMAGE PAYMENTS**

The War Damage Commission paid out £5 million during 1963 compared with £7 million in 1962 and £7½ million in 1961. The average weekly rate of payments in the last quarter of 1963 was £63,000.

The Commission paid 1,344 'cost of works' claims for repairs during the year, and made 433 instalment payments or payments on account. The amount involved was £3½ million of which houses accounted for £¼ million; commercial buildings, £½ million; factories, £¼ million; churches, £¼ million; shops, £¼ million; hotels, £¼ million; schools and local authority buildings, £¼ million; others £¼ million. The average amount of each claim paid during 1963 was £2,641 compared with £2,458 in 1962 and £1,971 in 1961.

Total war damage payments made by the Commission now amount to £1,285 million in 4,747,500 separate payments. Contributions by property owners during and after the war amounted to over £200 million.

Details of the total amounts paid by the Commission in some of the larger cases up to the end of the year 1963 were: markets, Sheffield, £439,337; Bristol University £178,967; Guildhall, York, £148,311; Sessions House, London, £143,006; St Mary-le-Bow, London, £114,481.

**LOCAL GOVERNMENT SERVICES**

The continued rise in costs in local government services in respect of health, welfare and children services for 1962-63 are reflected in three annual statistical returns issued by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers.

The return dealing with health services shows that total expenditure met from rates and grants amounted to £79,805,842 - an increase of 6.9 per cent on expenditure for 1961-62. In terms of costs per 1,000 population, this is equivalent to a rise from £1,619 12s in 1961-62 to £1,712 13s in 1962-63. Mental health services continued to expand and accounted for about a quarter of the total increase. On the other hand, expenditure on vaccination and immunization was considerably lower, the high figure for 1961-62 resulting from measures taken to control the outbreak of smallpox.

Total net expenditure chargeable to rates and grants in respect of welfare services in 1962-63 rose from £28,551,766 to £32,454,439, or expressed in terms per 1,000 population, from £518 10s to £696 10s. The average net cost per resident week in all welfare homes was £7 6s 10d compared with £6 17s 6d in 1961-62. There was an increase of 3,674 (4 per cent) in the average number of persons accommodated in residential homes and 1,868 (24 per cent) in those in temporary accommodation. The increase in the latter is particularly significant in the case of the London County Council, which shows a rise of 49 per cent.

The return on children services shows that the average number of children in care in 1962-63 was 62,915 as compared to 61,782 for the previous year, and that a slightly larger proportion of these children is now boarded out. The average weekly cost of a child boarded out amounted to £2 1s 10d compared to £10 2s 8d for those in residential homes, the corresponding figures for 1961-62 being £1 19s 8d and

£9 11s. Net expenditure after deducting specific grants was £23,974,145, an increase of £1,826,116 on the previous year. Expressed in terms per 1,000 population, this showed a rise from £479 16s to £514 10s.

Copies of the above returns are obtainable from The Institute of Municipal Treasurers and Accountants 1 Buckingham Place, London SW1, price 5s each.

## CHARTERED ACCOUNTANTS' HOCKEY CLUB

### Mid-Season Notes

The Chartered Accountants' Hockey Club has played its annual matches against the Chartered Surveyors and the Law Society and lost by the odd goal in each match. On February 12th, the annual match against Oxford University Occasionals is to be held at Oxford and will be followed by the annual matches with the Insurance Hockey Association and the Inland Revenue in March and April respectively.

The club committee has noted with interest that Mr John Neill, an ex-club member, played a distinctive role in the England side which toured India and Ceylon during the first fortnight in January.

Hockey players who are interested in joining the club are asked to contact the honorary secretary, Mr S. N. Elgar, 24 Bedford Row, London WC1 (Chancery 7219).

## UNION OF CHARTERED ACCOUNTANT STUDENTS' SOCIETIES

Members of chartered accountant students' societies are reminded that all students' societies welcome to their meetings members of other societies who are temporarily in their area.

There is also an arrangement for transfer of membership without additional fee for members who permanently change their district. The interchange should be carried out through the secretaries of the societies concerned.

Students' societies hold meetings in the following towns:

Ashford (Kent), Barnstaple, Bedford, Birmingham, Blackpool, Bolton, Bournemouth, Bradford, Bridgend, Brighton, Bristol, Cambridge, Cardiff, Carlisle, Chester, Colchester, Coventry, Darlington, Derby, Eastbourne, Epsom, Exeter, Grimsby, Halifax, Hastings, Hereford, Huddersfield, Hull, Ilford, Ipswich, Kettering, Leeds, Leicester, Lincoln, Liverpool, London, Luton, Maidstone, Manchester, Margate, Middlesbrough, Newcastle upon Tyne, Newport (I.W.), Newport (Mon), Northampton, Norwich, Nottingham, Oxford, Peterborough, Plymouth, Portsmouth, Preston, Reading, Reigate, Salisbury, Scunthorpe, Sheffield, Shrewsbury, Sittingbourne, Southampton, Southend, Stockton-on-Tees, Stoke-on-Trent, Sunderland, Swansea, Taunton, Torquay, Truro, West Hartlepool, Wolverhampton, Worcester, York.

## SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF FEBRUARY 2ND, 1889

### Independence for Auditors

As the episode in connection with the accounts and annual meeting of the Sterling Gold Mines, Ltd., has been referred to once or twice in our columns, the subjoined article from *The Statist* may not be without interest:

The history of the Sterling Gold Mines (Montana) (Ltd.), whose annual meeting was referred to in a recent issue, raises many points of interest . . .

It is evident . . . that the hands of auditors require strengthening, and that they should be placed in a more independent position. The first auditors must of necessity be appointed either by the promoter or the directors. In the case of respectable firms there cannot be any possible objection to this. At subsequent meetings they are nominated by the shareholders; but notwithstanding this they are, in the majority of cases, really at the mercy of directors as to their re-appointment. If an auditor is troublesome, it is very easy for a board of directors to quietly have him shelved by arranging with one of their friends to propose the name of a *persona grata* at the meeting . . .

We asked in our last issue what was the professional etiquette of chartered accountants as regards each other. We do not, of course, really wish to discuss this question beyond stating that when a chartered accountant declines to sign the accounts and balance sheets of a company, the directors ought to search the list of chartered accountants in vain before finding a single member who will for the sake of a fee, or a possible future audit, assist them in their struggle with existing auditors.

The additional difficulty Messrs. Chandler, Pixley and Co., had to contend with in the case referred to by the intervention of Messrs. J. B. Ball, Baker & Co., may be safely left to the Institute of Chartered Accountants. That body has lately shown that it is jealous of its good name, and the Institute has been gradually growing in favour since it received its Charter in 1880.

We believe that some people look upon the granting of this Charter as a monopoly, but reflecting business men are well aware that monopolies of this nature exist for the protection of the public, and as chartered accountants are for the future destined to play a leading part in commercial affairs, any attempt on their part to raise the standard of ability and honourable dealing should receive support.

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# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## RESULTS OF EXAMINATIONS

The following candidates were successful in the examinations held in November and December, 1963

### PART I

Abu Baker, Z. A. (Belfast)	Gallaugh, J. D. A. (Belfast)	Maze, M. F. (Belfast), <i>First Place equal</i>
Bagnall, C. P. (Blackrock, Co. Dublin)	Gilmore, J. J. (Belfast)	Menezes, M. W. (Belfast)
Balding, O. (Dublin)	Hadjianastassiou, A. (Belfast)	Millsopp, T. S. G. (Richhill, Co. Armagh)
Bastow, W. R. (Dublin)	Hanna, K. R. (Belfast)	Molloy, M. B. (Dublin)
Bell, J. D. (Belfast)	Hannon, J. D. (Dublin)	Mooney, A. F. G. (Belfast)
Blair, N. T. (Dublin)	Hatch, G. A. (Portadown, Co. Armagh)	Moylan, S. D. (Dublin)
Bolger, A. N. (Dublin)	Hickey, M. J. (Dublin)	Naismith, W. P. (Dublin)
Bridgeman, D. M. (Limerick)	Jackson, W. E. (Belfast)	Nelson, T. D. (Belfast)
Brown, Heather (Belfast)	Jennings, B. O. (Dublin)	O'Cearbhaill, C. S. (Sandycove, Co. Dublin)
Burns, D. A. (Banbridge, Co. Down)	Keating, D. V. (Dublin)	O'Malley, J. F. (Borrighone, Co. Limerick)
Burnside, R. J. G. (Belfast), <i>First Place equal</i>	Kelly, A. P. (Dublin)	Patrick, W. G. (Bangor, Co. Down)
Callaghan, R. D. (Cork)	Kelly, J. S. E. (Dublin)	Peelo, D. A. (Dublin)
Cantwell, O. R. (Dublin)	Kerley, M. T. (Dublin)	Quinlan, T. (Dublin)
Cooney, J. C. (Carrick-on-Suir, Co. Tipperary)	Lauder, C. D. (Larne, Co. Antrim)	Rea, D. E. H. (Belfast)
De Freitas, S. E. (Dublin)	Leuehan, P. J. (Dublin)	Regan, M. G. K. (Draperstown, Co. Derry)
Dickson, D. J. M. (Belfast)	Lowry, J. (Dublin)	Rice, P. D. (Newry, Co. Down), <i>Third Place</i>
Dunne, T. J. J. (Dublin)	Lynch, C. J. (Glenageary, Co. Dublin)	Riordan, F. M. (Dublin)
Durneen, N. I. J. (Belfast)	Lynch, E. (Galway)	Roycroft, R. B. (Belfast)
	Lyons, C. W. (Belfast)	Simpson, C. J. (Dublin)
Earley, A. C. (Dublin)	McAllister, J. M. (Ballymena, Co. Antrim)	Smyth, R. S. (Miss) (Belfast)
Fagan, J. J. M. (Dublin)	McAuley, J. (Ballymena, Co. Antrim)	Sproule, I. T. (Portadown, Co. Armagh)
Farrell, R. R. (Dalkey, Co. Dublin)	McHugh, B. D. (Limerick)	Stirling, G. W. (Carrickmines, Co. Dublin)
Finegan, A. (Dublin)	McKenna, T. A. (Dublin)	Sweeney, J. T. (Dublin)
Foley, M. A. (Dublin)	McMahon, R. J. (Dublin)	Walsh, B. T. (Dublin)
	McMullan, D. M. (Craigavon, Co. Down)	
	McNally, J. S. (Ballymena, Co. Antrim)	
	Mahony, M. B. (Cork)	

25 candidates failed to satisfy the examiners

### PART II

Abia, (Dublin), <i>Second Place</i>	Elyan, D. A. G. (Dublin)	Kavanagh, B. J. (Dun Laoghaire, Co. Dublin)
Begg, D. G. (Waterford)	Finn, J. F. (Blackrock, Co. Dublin)	Kennedy, B. M. (Dublin)
Bogan, L. G. (Dublin)	Fitzgerald, R. J. (Blackrock, Co. Dublin)	Lawlor, P. A. (Goresbridge, Co. Kilkenny)
Burke, A. A. (Dublin)	Flanagan, F. G. (Dundalk, Co. Louth)	Lawson, G. D. (Dublin)
Byrne, M. E. (Dublin)	Forsyth, J. C. (Glenageary, Co. Dublin)	Leahy, V. P. J. (Cork)
Calmonson, J. L. (Dublin)	Frayne, P. J. (Maynooth, Co. Kildare)	Leech, T. M. (Dublin)
Cameron, J. C. (Belfast)	Gaffney, P. F. P. (Dublin)	Loftus, M. A. (Ennis, Co. Clare)
Chambers, W. D. (Belfast)	Geoghegan, N. P. (Dun Laoghaire, Co. Dublin)	Longmore, D. J. M. (Newtownabbey, Co. Antrim)
Clare, M. J. (Dublin)	Gibson, J. J. (Dublin)	McCartan, J. A. (Banbridge, Co. Down)
Corcoran, C. A. (Bray, Co. Wicklow)	Grimes, J. M. (Skerries, Co. Dublin)	McCarthy, D. (Kenmare, Co. Kerry)
Cotter, J. B. (Dublin)	Harrison, P. J. (Sligo)	McDonald, D. C. (Belfast)
Craig, D. G. (Dalkey, Co. Dublin)	Henneberry, J. M. (Dublin)	McDowell, D. A. A. (Dublin)
Creighton, B. M. (Cork)	Holland, A. T. (Glenageary, Co. Dublin)	McElholm, T. B. F. (Omagh, Co. Tyrone)
Cronin, J. R. K. (Blackrock, Co. Dublin)	Igwe, I. U. A. (Dublin)	McGillion, T. G. A. (Drogheda, Co. Louth)
Daly, N. F. (Swords, Co. Dublin)	Johnston, E. I. (Belfast), <i>First Place</i>	McMaster, W. J. (Muckamore, Co. Antrim)
Daly, R. D. A. (Dublin)		
Deasy, M. D. (Dublin)		
Dodd, C. J. (Bray, Co. Wicklow)		

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Mangan, M. G. (Dublin)  
Mason, S. T. (Dublin)  
Milligan, M. J. F. (Belfast)  
Montgomery, A. L. (Belfast)  
Morgan, R. A. (Dublin)

O'Brien, P. J. (Cork)  
O'Flynn, P. C. (Dublin)  
O'Leary, P. J. (Cashel, Co. Tipperary)

O'Loughlen, R. A. (Dublin) } *Third Place*  
O'Neill, E. A. (Dublin) } *equal*  
O'Sullivan, J. P. (Castletroy, Co. Limerick)  
O'Sullivan, J. R. (Blackrock, Co. Dublin)  
O'Tierney, B. M. (Warrenpoint, Co. Down)

Powell, F. P. (Bangor, Co. Down)

Quigley, D. F. (Foxrock, Co. Dublin)  
Quinn, M. (Dublin)

Redmond, J. S. (Dublin)

Sherry, B. F. (Dublin)  
Sinnamon, T. S. (Dunmurry, Co. Antrim)  
Stewart, M. C. (Belfast)

Twomey, S. M. P. (Limerick)

Wall, A. C. (Boosterstown, Co. Dublin)  
Walsh, J. P. (Carrick-on-Suir, Co. Tipperary)  
Walsh, T. K. (Dublin)

*89 candidates failed to satisfy the examiners*

### PART III

Adamson, R. L. (Lucan, Co. Dublin)

Ball, R. G. M. (Dublin)  
Braidon, F. D. (Dublin)  
Briggs, J. E. (Belfast)  
Butler, P. A. (Cork)  
Byrne, C. E. (Bray, Co. Wicklow)

Callaghan, J. E. (Dublin)  
Candon, M. (Dublin), *Second Place equal*  
Casey, J. F. (Cork)  
Cope, S. D. (Dublin)  
Coppel, L. A. (Belfast)  
Cornican, S. (Belfast)  
Crawford, J. R. (Dublin)

D'Arcy, A. J. (Dublin)  
Doyle, N. G. R. (Maidstone, Kent)  
Drew, M. N. (Dublin)  
Duffy, C. E. (Dublin)

Eaton, G. (Cork)

Gibson, H. J. (Belfast), *First Place*

Gray, M. A. (Dublin)

Hart, J. F. (Dublin)  
Heagney, L. M. (Dublin)  
Holmes, L. J. (Dublin)

Kelly, J. B. (Dublin)  
Keogh, E. J. (Dublin)

Logan, P. (Belfast)

McCann, W. (Bray, Co. Wicklow)  
McCormick, R. (Belfast)  
McKeon, J. P. (Dublin)  
McVeigh, R. R. B. (Greenisland, Co. Antrim)  
Meaney, J. P. (Dublin)

Meenan, I. (Dublin)  
Moncrieff, D. (Belfast)  
Moore, J. F. (Dublin)  
Morrison, J. (Cork)  
Murphy, P. J. (Dublin)

O'Brien, J. G. (Dublin), *Second Place equal*  
O'Brien, T. H. P. (Dublin)  
O'Connor, D. F. (Dublin)  
Osborne, J. C. B. (Belfast)

Pope, A. K. (Dublin)  
Powell, R. A. O'R. (Dublin)

Sexton, J. B. (Limerick)  
Sherlock, N. F. (Dublin)  
Smyth, R. A. F. (Belfast)

Tait, L. (Dublin)  
Topping, M. B. (Dunmurry, Co. Antrim)  
*66 candidates failed to satisfy the examiners*

### PART IV

Beare, P. G. (Dublin)  
Blake, J. (Dublin)  
Boucher, D. J. (Dun Laoghaire, Co. Dublin)  
Bowen, F. W. I. (Blackrock, Co. Cork)  
Brophy, A. J. (Waterford)

Cahill, E. P. T. (Dun Laoghaire, Co. Dublin)  
Campbell, M. (Antrim)  
Casey, J. H. (Glenageary, Co. Dublin)  
Casey, J. L. E. (Dublin)  
Coady, M. J. (Dublin)  
Cronin, J. D. (Dublin)  
Cullen, M. T. J. (Dublin)

Deacy, R. M. (Galway)  
Duffy, P. C. (Derry)  
Duggan, D. P. (Dublin)

Flynn, J. P. D. (Nenagh, Co. Tipperary)  
Hasson, C. (Belfast)  
Higgins, T. P. (Cork)  
Holland, J. N. (Dublin)

Irwin, D. A. (Belfast)  
Jenkins, C. G. (Belfast)

Keatinge, T. W. (Dublin)  
Kelly, J. K. (Dublin)

Lorigan, T. (Dublin)

McCracken, G. C. J. (Dublin)  
McGloughlin, C. G. (Skerries, Co. Dublin)  
Martin, J. A. (Dublin)  
Moloney, J. C. (Foxrock, Co. Dublin)  
Morrow, G. (Belfast)  
Murphy, J. (Dublin)

O'Boyle, P. G. A. (Blackrock, Co. Dublin)  
O'Brien, O. M. L. (Dublin)  
O'Neill, F. S. M. (Dublin)  
Orr, M. G. (Belfast)  
O'Suilleabain, S. D. (Blackrock, Co. Dublin)

Pringle, C. W. (Miss) (Foxrock, Co. Dublin)

Reynolds, A. V. (Miss) (Dublin)  
Richards, A. J. M. F. (Bangor, Co. Down),  
*Second Place*

Spencer, M. A. (Limerick)

Teer, J. (Belfast)

Walsh, B. V. M. (Dublin), *Third Place*  
Ward, A. R. (Dublin)  
Welton, R. O. (Belfast), *First Place*

*95 candidates failed to satisfy the examiners*

### PART V

Artt, P. (Comber, Co. Down)

Bland, G. C. (Dublin), *Second Place*  
Browne, W. G. (Dublin)

Diffin, E. (Armagh)  
Dowling, N. O. (Dublin)  
Driver, T. O. (Blackrock, Co. Dublin)

Ellis, R. N. (Dublin)

Fleetwood, D. A. A. (Dublin)

Geraghty, A. P. (Shankill, Co. Dublin)  
Grimes, G. M. (Skerries, Co. Dublin)  
Groeger, R. A. (Cork)

Hall, D. T. (Portadown, Co. Armagh)  
Hession, C. E. (Dublin), *Third Place equal*  
Hogan, J. F. (Dublin)  
Howlett, B. G. (Dublin)

Jackson, R. L. (Belfast)

Loneragan, C. (Dublin)  
Lyster, W. B. (Dublin), *First Place*

McCloskey, J. (Belfast)  
McCowen, M. P. (Dublin)  
Morkan, T. F. (Templemore, Co. Tipperary)

Nealon, P. (Dublin)

O'Broin, K. M. P. (Dublin)  
O'Connor, L. G. (Dublin)

Patterson, T. A. W. (Newtownabbey, Co. Antrim), *Third Place equal*

Smyth, P. A. (Dublin)

*68 candidates failed to satisfy the examiners*

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# THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

## Results of Examinations held in November 1963

The places and prizes have been awarded on the combined results of the May 1963 and November 1963 examinations. The places and prizes in the Final examination have been awarded on the combined results of both parts where the concluding part has been passed in either May 1963 or November 1963.

### FINAL EXAMINATION

*First Place and Prize of £26 5s and the 'Arthur Collins Memorial' Gold Medal*  
Gasson, David Michael, Borough Treasurer's Department, Middlesbrough  
(Passed Part B in November 1963 and Part A at a previous examination)

*Second Place and Prize of £15 15s (incorporating the 'H. R. Ralph' Prize)*  
Davis, Brian Clifford, Borough Treasurer's Department, Eastbourne  
(Passed Part A in November 1963 and Part B at a previous examination)

*Third Place and Prize of £10 10s (incorporating the 'John Elliott Memorial' Prize)*  
Gwyther, Hugh Lavaine, M.B.E., District Audit Department, Ministry of Housing and Local Government  
(Passed Part B in November 1963 and Part A at a previous examination)

*Fourth Place and Prize of £7 7s (incorporating the 'G. A. Johnston (Dundee)' Prize)*  
Morgan, Douglas, County Treasurer's Department, Hertfordshire  
(Passed Part B in May 1963 and Part A at a previous examination)

*Fifth Place and Prize of £4 4s (incorporating the 'Allison Davies' Prize)*  
Carrier, Roger Alan, District Audit Department, Ministry of Housing and Local Government  
(Passed Part B in November 1963 and Part A at a previous examination)

*Awarded the 'Electricity' Prize of £6 6s for the highest marks of candidates from the electricity supply industry*  
Dempster, Charles Ignatius, Accountant's Department, East Midlands Electricity Board (Mansfield and North Nottinghamshire Area)  
(Passed Part A in November 1963 and Part B at a previous examination)

*Awarded the 'Hospital Service' Prize of £5 5s for the highest marks of candidates from the hospital service*  
Morgan, George Humphrey, Deputy Finance Officer, Worthing Group H.M.C.  
(Passed Part A in May 1963 and Part B at a previous examination)

### PART A

Andrews, J., Glasgow

Banbury, J. F., Ministry of Housing and Local Government

Barfoot, R. G. B., Eastbourne C.B.

Barnett, G. A., Liverpool C.B.

Barraclough, K., Bradford C.B.

Bass, G. C., Thetford Corporation

Batchelor, P. T., Hemel Hempstead B.

Batsford, A. D., West Bromwich C.B.

Bexley, J. R., Kingston upon Thames R.B.

Blacker, G. B., Portsmouth C.B.

\*Boagey, W. L., West Hartlepool C.B.

Bolam, D., South Shields C.B.

Bower, A. A. H., Liverpool C.B.

Bradberry, J. E., West Ham B.

Brain A. R., Penybont R.D.C.

Brant, D., Motherwell and Wishaw

Buck, M. J., Crayford U.D.C.

Cadman, A. J., Henley R.D.C.

Chenery, B. P., Ministry of Housing and Local Government

Chick, A. C., Glamorgan C.C.

Clarke, B. A., Great Yarmouth C.B.

\*Clist, D. W., Bournemouth C.B.

Cole, F. R., Hereford C.C.

Craig, S. C., South of Scotland Electricity Board

Crompton, R., Bury C.B.

\*Crough, D., Frome U.D.C.

Danks, S., Darlaston U.D.C.

\*Davies, D. R., London C.C.

\*Davis, B. C., Eastbourne C.B.

Davis, G. R., Rawtenstall B.

Daymond, J. L., Portsmouth C.B.

Deane, P. A., Bedford B.

Dempsey, J. P., Lancashire C.C.

\*Dempster, C. I., East Midlands Electricity Board

Dooris, W. T., Chertsey U.D.C.

Douglas, A. E. M., Edinburgh

Dubber, P. M., Sheffield C.B.

\*Dunster, S. G., Bolton C.B.

\*Duxbury, S. E. J., Central Electricity Generating Board

Elders, F. H., Ministry of Housing and Local Government

Elliot, A. A., London C.C.

\*Ford, K. G., University College of Wales

Forman, C. D., Edinburgh

\*Franklin, E. J., Glamorgan C.C.

Geschke, D., Leicestershire C.C.

Goodship, P. T., Gravesend B.

\*Guest, T. L., Northampton and District H.M.C.

Hateley, W., Stockton-on-Tees B.

Hill, R. L., Crawley U.D.C.

Hobbs, G. B., Lusaka, Northern Rhodesia

Hocking, M. L. (Miss), Paddington B.

Hodder, A. E., Stockport C.B.

Hodgkiss, J. K., Wellingborough U.D.C.

Hoyland, D., Harrogate B.

Hudson, B. E. L., Sherrin H.M.C.

Hughes, A., Cheshire C.C.

Hughes, W. G., Stafford B.

\*Hurn, D. E., Wiltshire C.C.

Jew, J. T., Nottinghamshire C.C.

Jeynes, C. B., Orpington U.D.C.

Johnson, D., Yorkshire (West Riding) C.C.

\*Johnson, R. A., Tredegar U.D.C.

Keenan, J. A., Reading C.B.

\*Keough, H. R., Lancashire C.C.

Kerman, P., Widnes B.

Kidd, F. J. M., Glasgow

King, C. E., Ministry of Housing and Local Government

\*Knight, W. L., Hendon B.

Laidlow, K., Dorset C.C.

Lawson, G. W., Southampton C.B.

Leadbeter, R., Cardiff C.B.

Lee, G., Chesterfield R.D.C.

Lee, R. A., Leicester C.B.

\*Lewis, D. E., Coulsdon and Purley U.D.C.

Light, K. W., Baildon U.D.C.

Little R. H., Norwich C.B.

Lowe, J. C., Coalville U.D.C.

Mathers, D. C., Ministry of Housing and Local Government

McGoay, F., Durham C.B.

Miller, M. H., Ministry of Housing and Local Government

\*Mitchell, A. H., Eastbourne C.B.

Moorhouse, P. H., Sheffield C.B.

Morgan, R. B. C., Staffordshire C.C.

Morris, J. F., Flintshire C.C.

\*Morton, R. F. H., Warwickshire C.C.

Munton, M., Ministry of Housing and Local Government

Newman, D. J., Plymouth C.B.

Nicholson, A. F., Ministry of Housing and Local Government

Nott, M. C., West Bromwich C.B.

Ogden, N. R., Sheffield C.B.

Pace, R. T., Egham U.D.C.

Parfitt, M. J., Bridgend U.D.C.

\*Parkhurst, P. E., Exeter C.B.

Parsons, G. H., Glamorgan C.C.

Parton, D. A. A., Northwich R.D.C.

Phillips, M. A., Amphyll R.D.C.

Postlethwaite, R. D., Ministry of Housing and Local Government

Prince, D. J., Worcester C.B.

Reeves, R., Brighton C.B.

Roberts, E. A., St Albans B.

Roycroft, D. J., Great Yarmouth C.B.

Shaw, M. B., Bradford C.B.  
Skilling, J. E., Kent C.C.  
Smith, C., Durham C.C.  
Smith, H. E., Cheltenham R.D.C.  
Spindlow, B. D., Rickmansworth U.D.C.  
Steward, H. A., Crawley U.D.C.  
Thomas, L. N., Thornbury R.D.C.  
Thomas, R. D., Ministry of Housing and Local Government  
Thornton, L. M., Warwickshire C.C.  
Tilston, G. O., Cheshire C.C.  
Toft, E. G., Hambledon R.D.C.

Tompkins, J. J., Walthamstow B.  
Townley, R., Lancaster B.

Velvick, A. W., Orpington U.D.C.

Wain, P., Nottingham C.B.  
Ward, D. J., Poole B.  
Wardle, D. E., St Albans B.  
Whitehead, M. D., Warwickshire C.C.  
Whittle, A. G. (Miss), Ministry of Housing and Local Government  
Whitwell, D. J., Hinckley U.D.C.

Wilcox, J. D., Northleach R.D.C.  
Williams, A. I., Anglesey C.C.  
Williams, D. K., Glamorgan C.C.  
Wiseman, D. E., Sheffield C.B.  
Wood, B. A., Leicester C.B.  
\*Wood, D. A., Coventry C.B.  
Wood, I., Rochdale C.B.  
Woodrow, A. W., Harrow B.  
Woodward, D., Taunton B.  
\*Wray, R. W., Ipswich C.B.  
Wright, P. L., Torquay B.  
Young, R. J., Staffordshire C.C.

\*Passed Part B (or Part 1) at a previous examination.

## PART B

\*Barden, D. E., Rochester B.  
\*Bardsley, T., Yorkshire (East Riding) C.C.  
\*Black, J., Glasgow  
\*Blacker, N., Halifax C.B.  
\*Bond, M. T., East Grinstead U.D.C.  
\*Bradley, E. E., Durham C.C.  
\*Bray, B. E., Plymouth C.B.  
\*Bree, A. P., Jersey  
\*Bridgeman, A. J., Bournemouth C.B.  
\*Bullick, S. R. S., East Barnet U.D.C.  
\*Burn, J. L., Coventry C.B.  
\*Busby, G. C., Tring U.D.C.

\*Carrier, R. A., Ministry of Housing and Local Government  
\*Carus, A. M., East Midlands Electricity Board  
\*Chambers, H. G., Norwich C.B.  
\*Charles, B. H., Newport (Mon.) C.B.  
\*Collins, A. T., Dartford H.M.C.  
\*Cornfield, L. W., Chester C.B.  
\*Crawford, I. McG., Kettering B.

Dailey, S. H. V., Nairobi, Kenya  
\*Davidson, W. J., Wigan C.B.  
\*Davies, T., Port Talbot B.  
\*Dowell, H. E. G., Dorset C.C.  
\*Duroe, W., Chesterfield B.

Edwards, J. N., Liverpool C.B.  
\*Ellison, R., Ministry of Housing and Local Government  
\*Emmott, R., Morley B.

\*Farrar, B., Smethwick C.B.  
\*Ferguson, H., South of Scotland Electricity Board  
\*Freshney, B. A., Hendon B.

\*Gasson, D. M., Middlesbrough C.B.  
\*Gibson, G., Cheshire C.C.  
\*Goode, F. D., Richmond B.  
Gray, H. S., Hamilton

\*Greenwood, P. W., Lincolnshire (Lindsey) C.C.  
\*Gwyther, H. L., M.B.E., Ministry of Housing and Local Government

\*Hall, R. C., Mitcham B.  
\*Hardisty, P. G., Ministry of Housing and Local Government  
\*Harmer, S. T., Coventry C.B.  
\*Harper, P., Kendal B.  
\*Hayton, G., Salford C.B.  
\*Holland, A. J., Dorset C.C.  
\*Howie, J. C., Perth and Kinross  
\*Hudson, R., Ministry of Housing and Local Government  
\*Hutchinson, J., Chislehurst and Sidcup U.D.C.

Ilahi, N., Government of Pakistan

\*Jackson, L. J., Sowerby Bridge U.D.C.  
\*Jones, R., Derby C.B.

\*Kemp, D., Coventry C.B.  
\*Kyte, R. M., Malling R.D.C.

Le Count, F. H., Kitwe, Northern Rhodesia  
\*Lee, R., Oxford C.B.  
\*Lord, J. D., Cheltenham B.  
Lunt, F. G., Middlesbrough C.B.

\*Marlow, J. A., St Pancras B.  
\*Maughan, J., South East Derbyshire R.D.C.

\*Meakin, B., Newcastle under Lyne B.  
\*Middleton, G., South Shields C.B.  
\*Morgan, G. H., Worthing Group H.M.C.  
\*Morgan, K., Worcester C.B.  
\*Morris, R. S., Wimbledon B.  
\*Murray, F., Urnston U.D.C.

\*Nesbitt, R. W., Belfast  
\*Newstead, R. A., Chichester B.

\*Passed Part A at a previous examination.

\*Patel, R. M., Mombasa, Kenya  
Paul, C. N., Cheshire C.C.  
\*Pratley, A. G., Lusaka, Northern Rhodesia

Read, S. T., St Andrew's H.M.C.  
\*Rickman, G. H., Havant and Waterloo U.D.C.  
Ridley, J., Durham C.C.  
\*Roberts, T., Cornwall C.C.  
\*Robinson, T., Kampala, Uganda  
\*Ronaldson, R. A. D., Stretford B.  
\*Rosindale, B., Ossett B.  
Routledge, J., Cumberland C.C.  
\*Routledge, R. H., Croydon B.  
\*Rowland, C., Dartford B.  
\*Rudd, R., Guildford R.B.

\*Salter, D. E. H., Caerphilly U.D.C.  
\*Saunders, D. M., Sussex (East) C.C.  
\*Schofield, D., Bradford C.B.  
\*Sharman, J., Hertfordshire C.C.  
\*Sharpe, C. A., Heanor U.D.C.  
\*Sherlock, A. F., Ealing B.  
\*Simpson, M. C., Leeds C.B.  
\*Simpson, T. R., Birkenhead C.B.  
\*Singer, F. J., Glamorgan C.C.  
\*Smallridge, B. E. N., Essex C.C.  
\*Smart, W. L., Eastbourne C.B.  
Stirland, M., Nottingham No. 1 H.M.C.

\*Taylor, D. R., Ministry of Housing and Local Government  
\*Tickner, W. G. H., Colchester B.  
\*Till, J. R., Banbury B.  
\*Tubb, W., Feltham U.D.C.

\*Warrington, M. J., Ministry of Housing and Local Government  
Webb, G. P., Coventry C.B.  
\*Williams, K. H., Leicestershire C.C.  
\*Winter, J. H., Ministry of Housing and Local Government  
\*Wright, A. T., Bedworth U.D.C.

## ADDITIONAL ALTERNATIVE SUBJECTS

### District Audit Law and Procedure

Miller, L. W., District Audit Department, Ministry of Housing and Local Government  
(Passed Part B in May 1963)

## Summary of Results

	Intermediate		Final Part A		Final Part B		Total	
	No.	per cent	No.	per cent	No.	per cent	No.	per cent
Passed .. ..	157	32	133	37	99	46	389	37
Failed .. ..	332	68	223	63	118	54	673	63
	489		356		217		1,062	



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# THE ACCOUNTANT

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## Reflections on Fiscal Policy

IT is fairly evident, for reasons both economic and political, that the forthcoming Budget will be more concerned with some re-distribution of the tax burden rather than with its overall reduction. With the White Paper on gaming establishments from the Customs and Excise due to appear shortly, and the report of the Richardson Committee on the added-value type turnover tax probably in the offing, there will be every opportunity for Mr MAUDLING to expound his Party's views on fiscal policy. The timing is indeed opportune, since the upward trend of public expenditure is more marked and certain than at any time since 1945.

The occasion will also provide the opportunity for considering the role of budgetary policy in the modern economy, not least since Mr WILSON in his recent Swansea address indicated that the Budget must provide for some of the capital needed for new investment. Whether by this is meant a revival of the massive Crippsian Budget surpluses, or merely a neo-Daltonian expansion of borrowing below-the-line, is not clear, but it indicates the role that budgetary policy would play in Labour economic policy. Not that there is anything novel in this technique of Budget surpluses or, admittedly less likely, deficits, as a method of stabilizing the economy. After all, the evaluation, however imprecise in practice, of the inflationary or deflationary 'gap' has formed the lynch-pin of every Chancellor's Budget address since 1941.

Experience has shown, however, that the early faith of the neo-Keynesians in budgetary policy as a stabilizing measure has its limitations. Not least is the difficulty of estimating the potential inflationary or deflationary 'gap', quite apart from the very simple fact that political considerations all too often conflict with economic needs. Although budgetary policy is nowadays accepted by all economists and politicians as an economic stabilizer, fiscal policy has not yet achieved the same degree of acceptance. The use of individual taxes for differentiating between different goods or industries, or classes of taxpayer, is for many observers contrary to fiscal equity. Nevertheless, in an economy which requires careful adjustment to external as well as internal 'winds of change', in the absence of physical planning and extensive powers of regulation over industry and trade, fiscal policy remains the only effective alternative. Mr MAUDLING himself illustrated the use of this technique in his last Budget by offering inducements to industrialists to extend their productive activities into the development areas.

Although considerable attention, to put it no more strongly, has focused on Mr WILSON's remarks at Swansea, the implications of Mr ENOCH POWELL's comments on the recent proposals from the employer's side of the National Economic Development Council are even more far-reaching. Mr POWELL has openly stated what most of the critics have not, that the alternative to a free economy actuated by the profit motive and financial incentives is in fact a fully-regulated economy. Once the price mechanism is disrupted, the only alternative to competitive pressures is physical planning of the allocation of resources. Where much of the Press and most of the politicians are currently failing in their duty is in their apparent efforts to persuade the electorate that there is some simple panacea which will resolve the problem of Britain's exports, give everyone a rising, real income, regardless of productivity, and guarantee every person his job in perpetuity. In a dynamic economy, subject as in Britain more than most to the stresses of the world economic system, this is an unattainable goal. What is possible is to make the process of adaptation to changing economic circumstances as smooth and as rapid as possible, without the painful social consequences of bankruptcies and mass unemployment which scarred the inter-war period.

Within this context the role of fiscal policy is all important. Already successive Chancellors have sought to encourage the modernization of productive plant by increased capital allowances. Industrial research is fostered within the private sector by tax reliefs and new industries given inducements to settle in the development areas. Whether or not such fiscal inducements are given, the basic problems of industrial efficiency, exports, restrictive practices, wage differentials, to cite only a few, remain to be solved. Tax incentives can merely encourage a more rapid adjustment to normal economic pressures. They can, however, also distort the natural workings of the market forces. Thus, Mr WILSON was right to draw attention to the fact that the United Kingdom import of foreign manufactures has risen markedly in recent years. This is part of the changing pattern of world trade. At the same time, however, it is for the British manufacturer to ask himself why such imports have been so successful in his home market. This cannot mean, however,

that home industries should be given what are tantamount to subsidies at the taxpayer's expense, in order in effect to exclude cheaper imports.

Mr WILSON added his own particular gloss to the present structure of capital allowances by his suggestion that more rapid adoption of certain types of industrial equipment, in particular automotive equipment, should be encouraged. Admittedly there are signs that Britain's pace of development in this all-important sphere now lags behind that of her major European competitors, much less the United States. The situation that has to be avoided, however, is that firms should thereupon acquire such equipment without using it effectively. For example, it would be interesting to know just how many computers there are in Britain that are under-utilized by their owners. Likewise mechanization of British farming has been greatly stimulated by tax concessions and high prices. Yet is there anyone outside the ranks of the N.F.U. who believes that from the point of view of the national economy this mechanization has been achieved in the most economic fashion?

The distribution of taxation is a matter on which no two people are likely to agree, least of all if they represent different ends of the political spectrum. Mr WILSON's avowed preference for reviving the dual rate profits tax has been greeted with dismay by industry. It may be that such a tax will induce the trade unions and their members to co-operate in an effective incomes policy. If it does, then the price paid may be reasonable. It is idle to pretend, however, that a price will not be paid in the mal-distribution of capital resources which such a tax engenders, and the socially unacceptable capital gains which it promotes. To what extent avoidance measures contract the tax base, and to what extent the taxation of long-term capital gains would increase the yield of direct taxation, is unknown. No doubt, as Mr WILSON averred, it is one reason why tax rates are so high. There are, of course, others even more important.

Mr WILSON could not have made his speech at a more opportune moment. He has raised issues which need to be discussed in public and he has at least indicated the pattern of his own thinking on economic matters. His political opponents must do likewise. It would be a pity, however, if in the meantime Mr POWELL's contribution to the debate were to be overlooked or ignored.

# Professional Indemnity Policies

by AN INSURANCE CORRESPONDENT

AS is well known, it has for long been recognized that the degree of care and accuracy required from a professional person accepting a fee for giving advice on technical matters must be of the highest order. Nobody would deny that this is right and proper, though clearly it throws a heavy burden on the shoulders of practitioners and firms.

The fairly recent case of *Hedley Byrne & Co Ltd v. Heller & Partners* showed all too clearly that claims can be made for damages resulting from negligence even in cases where there may be no direct contract. One effect of this case has been to highlight the need for accountants in particular to have adequate professional indemnity insurance. For, since the public is becoming more claim conscious every year, it is now virtually imperative for firms to insure against the risk of negligence.

In the sphere of insurance, professional indemnity policies are comparative new-comers, having first been introduced about half a century ago by the well-known Lloyd's underwriter Mr Cuthbert Heath under the title of *Errors and Omissions* policies. A considerable volume of this business is still written at Lloyd's, although a few insurance companies also specialize in this type of risk. Nevertheless, due to adverse claims experience during the past few years, there has been a general contraction in the market and also a significant hardening of rates – even prior to the *Hedley Byrne* case.

## Simple Wording

Fortunately, the wording of policies of this type is comparatively simple, the aim being to provide reasonably wide cover at the outset and to limit it by imposing certain exclusions and conditions. Some of the latter can be waived by agreement with insurers, on payment of an additional premium.

For instance, a policy may very well simply provide an indemnity in the event of the insured firm being sued for 'breach of professional duty by reason of neglect, omission, or error'. The policy may go on to say that the cover which is provided applies irrespective of when or where the act may have been committed, or have been alleged to have been committed. Thus, although

there are exceptions, provided the discovery of the act (or alleged act) is made during the currency of the policy, it should be covered. Nevertheless, a point to watch is that some policies state that, for a claim to be paid, there must have been a policy in existence at the time of the act (even though this may have been effected with different insurers). On the other hand, a policy may cover all acts committed during its currency, irrespective of when they may be discovered. Whereas this might seem to be the fairest arrangement, it can lead to considerable difficulties if a claim is presented some years later. For instance, the policy may have lapsed and been lost, or the business may have been taken over.

## Retroactive

Where, however, a fresh policy states that, to be covered, the negligence must have occurred during the currency of the policy, if the firm was in business prior to the inception of the policy it is obviously a sensible step to pay an additional premium so that the policy can be made retroactive.

One of the more common wordings in this type of policy makes it clear that a firm is not required to contest any legal proceedings unless a Queen's Counsel (to be mutually agreed upon between the insured and the insurers) advises that the proceedings should be contested. This again is a sensible step, for it can avoid a considerable amount of adverse publicity.

Clearly, before issuing cover, insurers will wish to know as much as possible about the proposer to enable them to try to assess whether they wish to write it at all, and to consider what would be a reasonable rate of premium to charge. Usually the aim is to try to obtain a clear understanding of the character of the firm's professional undertakings. In addition, insurers will wish to know of the experience of those who are engaged in the conduct of the business, together with any claims record which they may have.

The basic information which will be required is the names of those employed and the exact nature of the business. In addition to this, however, insurers will want to know when the business was established, and for how long it has

been under the control of the present owner or one of the present partners. Besides this, details will have to be given about how long each partner has practised as a principal. If any claim has been made against the proposer or any partner or member of the staff for negligence, error or omission in relation to his professional duties, full particulars will be required by the insurers (including the date and the amount of the claim).

Mention has been made of the fact that a policy is likely to be retroactive. For this reason, clearly it is of considerable importance for insurers to know whether the firm requiring cover is aware of any neglect, error, or the omission or existence of any circumstances which could give rise to a claim.

### Two Factors

The premium charged for this type of policy depends on two factors – the amount of the indemnity provided, and the size of the business. For instance, even when a policy is renewed, it is usual for an insurer, before quoting a premium, to want to know the numbers in the different categories of staff, e.g. partners, clerks, typists, juniors, etc. Clearly, this gives a good idea of the general size of the business.

So far as the indemnity is concerned, the premium does not increase on a *pro rata* basis. In view of this, and the high level to which claims can rise, it is important that the limit provided by the policy should be adequate under present conditions. For what a few years ago may have been a fairly high figure as a limit, may now be comparatively low. This, of course, is one of the reasons why premium rates are hardening – for the size of the average claim is increasing all the time.

At one time it was the practice of a number of insurers to offer a no-claim discount in connection with professional indemnity policies. Often, if there has been no claim on the expiring policy, the discount off the quoted premium for renewal was 20 per cent. Although a few policies may still retain this discount, the practice of allowing it is dying out. One can see that this is reasonable from the point of view of the insurers, for clearly the presence of a small discount is unlikely to make a firm more careful, simply because its status and general prestige is more important. Thus, from the point of view of insurers, the same practical effect can be achieved without this discount.

There are a number of exclusions in the more

or less standard wording of a professional indemnity policy. In the first place, such a policy does not include cover for claims which may be made against the firm in connection with libel or slander. Each firm must decide whether it should be insured for such risks. On the whole, it is probably advisable for arrangements to be made for them to be included in the cover provided by the policy. Rather naturally, an additional premium will be payable, but it is likely to be worth while in view of the increasing sensitivity of the public.

It is probable that another exclusion will relate to fraud on the part of the staff of the firm. This, however, is not usually a risk which can be covered by a professional indemnity policy. If it is to be covered (and, clearly, it is wise that it should be) a separate fidelity guarantee policy should be arranged. This will provide cover not only in connection with the funds of clients, but also for any misappropriation of the firm's money by a member of the staff.

Usually a professional indemnity policy excludes any claims for death, bodily injury, or damage to property. Clearly this risk should be covered in one way or another; in fact it can be provided by a general public liability policy.

Normally a policy will be issued only to individuals or firms who are members of a professional body of recognized standing. In any case the insurance will apply solely to the firm's work in its normal capacity. As a result there are a number of occasions when a policy may need to be extended.

One particular case is if a partner of a firm has an outside appointment – when he is not acting on behalf of the firm, but in his private capacity. Clearly, it is pointless to be insured only when acting in one capacity and not when working on certain other types of business.

### Secretarial Work

In much the same way if a firm, besides, for example, looking after the accounts of a small company, virtually acts as its secretarial department, the insurers should be advised. The reason for this is because, after a claim had been lodged, there could be a dispute as to whether the firm was acting solely in its capacity as accountants. If insurers are advised of the position in advance, an additional premium, if required, can be paid so that full cover is provided. On the other hand, it often happens in cases such as this that insurers take the broad view and no additional premium may be charged.

One of the most important conditions in connection with these policies is that as soon as possible after receiving information of any claim or loss or any occurrence for which there may be liability under the policy, the insured firm must give notice in writing to the insurers.

A further condition is that an insured firm must not make any admission, offer, promise, payment or indemnity without the written consent of the insurers. For if they so desire, the insurers will be entitled to take over and conduct

in the name of the insured, for their own benefit, any claim for indemnity or damages or otherwise. In such circumstances they have full discretion in the conduct of any proceedings and in the settlement of any claim.

It should be added that if at the time a claim arises there is any other insurance covering the same liability, insurers under the professional liability policy are not liable to pay or contribute more than a rateable proportion of the claim and the costs and expenses connected with it.

## Electricity Accounts by Computer

CONTRIBUTED

**I**N Great Britain there are over seventeen million consumers served by the electricity supply industry and, if the present rate of increase of about 3 per cent each year continues, this number will be doubled in about twenty years. Of these consumers some fifteen million are domestic households up and down the country, one and three-quarter million are industrial and commercial organizations and a further quarter of a million are farms. In total they consume over one hundred thousand million units each year.

The work involved in providing a service of this magnitude is immense – and growing daily. Not only does it mean the provision of more powerful generating plants and more extensive distributing networks but also, to work efficiently, the latest techniques must be used in administration and accounting.

### Simplification of Procedures

The North Western Electricity Board, one of the larger of the twelve area boards responsible for the distribution of electricity in England and Wales, inherited seventy-six separate undertakings with many different charges and methods of operation when the industry was nationalized in 1948. Obviously, some degree of standardization was essential if the Board was to meet the increasing demands made upon it efficiently and, in fact, it was not long before the Board had completed the major task of simplification of a wide variety of procedures. The next step was to investigate the most efficient and economic size of administrative unit consistent with a high standard of service to the public.

It was found that the complexity of the

reorganization and the revision of control involved prevented an immediate switch to a centralized system. For this reason the immediate objective became the attainment of a higher degree of efficiency at a local level by streamlining procedures, reducing the need for clerical intervention and by adhering more strictly to operating schedules. The importance of observing these schedules will be apparent when it is realized that a delay of only one day in sending out the six million energy accounts issued annually by the Board can mean a loss in working capital of over a quarter of a million pounds.

The major routine part of the North Western Electricity Board's accounting procedure was the preparation and sending out of about twenty-five thousand energy accounts each day. This involved making perhaps half a million calculations and printing over one hundred and fifty thousand lines of detailed information. Following on this, the accounting for charges debited to the consumer was equally important. Accounts are paid in full (or in some cases by instalments) at any time after the bills have been sent. In fact, surveys showed that only 22 per cent were paid within a week and as many as 30 per cent remained unpaid after four weeks. As a result, some seven thousand five hundred statements (reminder notices) had to be sent out each day and, in the Manchester area alone, about four hundred disconnection notices had to be prepared each week. Adding considerably to these operations were items such as rechargeable works (e.g. rewiring a consumer's premises), appliance hire and maintenance contracts, hire-purchase agreements, and the many small tasks such as noting removals.

The Board had always been keenly interested in modern methods of data processing but these had always seemed an uneconomic proposition. However, it was decided to institute an investigation in one area – Blackburn – to evaluate the feasibility of a computer installation. The results showed that for five out of the six areas of the Board, a computer installation might provide an economic and efficient answer to a large part of its accounting problems. In addition all procedures could in this way be more fully integrated, more effective controls maintained and the time schedules more easily adhered to. The IBM 1401 computer was selected, and the first system was installed at Blackburn in March 1962. There are now five such installations in the North Western Electricity Board – at Manchester, Bolton, Oldham and Preston, in addition to the first. These have replaced either conventional punched-card equipment or keyboard accounting systems.

### Computer Soon Productive

Considerable progress on planning for the first installation was made in the year after the order had been placed. Programmes were written and tested, procedures were scheduled and the necessary structural work carried out. The result – the computer at Blackburn was billing consumers and carrying out costing and stores ledger routines within three weeks of installation. The later installations were productive within a week since the standard routine programmes – and there are about a hundred of them – had, of course, already been used.

A typical example of the work undertaken by these five data processing installations is provided by the IBM 1401 card computer system serving the Manchester area. Farms, industrial and commercial organizations and domestic households – in fact, a microcosm of the electricity consumer world – fall within the Manchester area, which is divided into six districts. The total number of consumers is 450,000, with approximately six hundred thousand meters. Every day sixty meter books are returned to the control section in the sub-area head office. The volume of work is immense and would need a small army of clerks on any manual system. Complex tariffs have to be applied to industrial accounts. Two hundred removals a day are dealt with. Statements and disconnection notices – as well as routine invoices – have to be prepared. Since one in every four households has a hire-purchase agreement with the Board, amounts outstanding have

to be up-dated. Analyses for Board of Trade returns have to be undertaken. All this and more is accomplished by Manchester's data processing system with only two shifts overlapping by two hours on the computer plus normal working for the operators on ancillary equipment.

Once the meter books have been examined by the clerical control section, cards are punched with the new meter reading and then collated with the name and address cards and fixed charge cards which contain such static information as hire-purchase terms, meter rents and corporation tenant credit payment. An initial run on the computer establishes that all cards are present and in the correct order, the tariff realistic, the classification valid and the consumption figure reasonable.

The computer also recalculates the manually evaluated consumption figure in the case of non-standard tariffs and credit consumption readings. The cards are then returned to the control section and any corrections carried out. The second run with the same cards prints the accounts, punches a debit card for each consumer and a summary total card for each meter book. When a quarterly account is greater than £100, or less than one shilling, an exception card is produced and the account is checked manually.

The debit cards produced in the previous run are then listed; the tabulation sets out the Board of Trade classification and lists for each consumer, the name and address, number of units consumed, hire-purchase and other charges. A further run up-dates the hire-purchase ledger and a complete survey is made showing the starting date of the contract for each debtor, the number of payments made and the amount outstanding. The meter cards are also fed into the computer to produce an analysis of sales by tariff. All this is performed at the rate of 2,500 accounts and analyses each hour.

### Forty Collection Points

Domestic accounts can, in fact, be settled, *inter alia*, at any one of forty collection points throughout the sub-area. When payment has been made, the invoice 'stub' is returned to the data processing section, a card is punched with the relevant information and a check totalling run carried out. Daily, district by district, the cash posting run is performed using the cash card and the debit card which is pulled from the file, and the debtor's list is thus up-dated.

If the payment meets the debt in full the debit card is selected out; if part payment only has been

made the cash card is returned to the debtor's file with the debit card. Twenty-one days after the submission of the bills the relevant debtor's file is examined, outstanding debit cards are extracted and the statements – about two thousand a day – are prepared on the computer. Seven days later, if the account is still outstanding, disconnection notices are printed on the computer and sent out. Since the computer was installed at Manchester in July of last year, it has proved much easier to adhere to the accounting schedules.

However, the domestic consumer accounting procedure is not in itself complex. With commercial and industrial billing, however, a large number of differing factors have to be taken into consideration. Though there are only some one thousand large industrial and commercial concerns in the Manchester area, each consumer has a file of up to twenty punched cards in which are contained details of his particular installation, the basis of charge and the method of payment. It is, in fact, necessary, because of the large amounts involved, to prepare invoices for all industrial accounts monthly, even though in some cases the consumer's accounting procedure normally works on a yearly basis agreed by the Board.

### Consumption Calculated

The consumer's file containing charges relating to his installation – such as the maximum demand rate, the use of reactive meters, normal meters or night metered systems – is fed into the computer. The consumption is calculated and a number of factors evaluated, e.g. the power factor which measures the efficiency of input, and the load factor which determines the efficient, or otherwise, usage of electricity over the month. On this initial run vital information for the technical and commercial departments of the Board is printed out. For example, notes are made if the main consumption reading does not agree with that of the check meters; if, say, three check meters are out of balance, if the power factor is less than 90 per cent, or if the load factor varies by 20 per cent either way. Any of these points will require immediate investigation since it is to the advantage of both the consumer and the Board to ensure that their installations are working efficiently. A second run on the computer prints the invoices.

Another important function which has been taken over by the data processing section is the stores accounting and stock control procedures. Weekly records of stock movements showing

issues, present stocks and values are maintained and quarterly statements are prepared for headquarters. All movements are priced according to a commodity code and the depreciation on expensive stock items calculated. Stock levels are up-dated and tabulated and new balance cards prepared. The quarterly run on the computer breaks down the stock in hand by code within each category, by store point within each district and shows for each line stock on hand related to issues. In this way slow moving items and other extraordinary balances are easily highlighted for management attention.

### Costing Routines

Allied to these procedures are the costing routines. Based on information contained on the time-sheets, rate and job cards are punched, transaction cards are up-dated and labour charges calculated. Store purchases and labour costs are posted (by district) to the cost ledger. Rechargeable work is also costed out to include all contracting work and labour and materials used. A tabulation is prepared to show the value of work in progress, costs of completed jobs and credit sale transactions.

All these reports are prepared at two levels, by district and for the Manchester area as a whole. A further analysis breaks down job costs under asset (i.e. materials) headings and another details the revenue cost ledger in the sequence needed for the preparation of the annual financial accounts of the Board. An idea of the importance of these procedures can be gauged by the fact that nearly £2 million worth of stock is held by the Board. The adoption of modern data processing techniques has resulted in closer control of stock and other financial savings.

From the outset the Board has given active personal encouragement to the data processing staff and on all counts they are more than satisfied with the results. Apart from the staff savings, thousands of pounds of working capital are no longer tied up because of delayed submission of accounts. Stock control and capital investment has been placed on a more economic footing. Accurate, up-to-the-minute statistical analyses are now available to provide a solid basis for management decision.

Gradually more procedures are being converted to suit modern data processing techniques. Blackburn area is already preparing the monthly salary payroll on its computer; later, this programme will be adopted by other areas. The weekly payroll will probably be the next step.



EUROPEAN CONGRESS PAPERS

# The Public Accountant's Contribution to Small Businesses

## I—AN AUSTRIAN APPROACH

by DR ERNST ALLET

Kammer Der Wirtschaftstreuhänder (Austria)

THE Austrian professional code for *Wirtschaftstreuhänder* recognizes the professional category of *Helfer* (assistant) in accounting and taxation affairs. The particular function of the *Helfer* is to assist small and medium-sized businesses with their accounts and taxation returns and to act as their representative in dealings with the financial authorities.

While admission to membership of the professional body of *Wirtschaftsprüfer* and *Buchprüfer* calls for a certificate of higher education in addition to the rigorous examination which has to be passed, official recognition as a *Helfer* in accounting and taxation affairs is granted on production of a certificate of secondary education, on proof of the practical experience required by law for candidates for membership of the profession and on passing the examination required by the professional code, but no certificate of higher education is required.

A distinction is also made in the prescribed scale of charges as regards *Helfer* in accounting and taxation affairs, in that they are not entitled to charge the higher rates allowed to members of the other two professional groups. The main purpose of these legal provisions is deliberately to provide a professional group for the assistance of small businesses so that these may have the advantage of professional advice in accountancy matters at reasonable charges. This, however, does not mean that in practice *Helfer* in accounting and taxation affairs are not concerned with large undertakings or, conversely, *Wirtschaftsprüfer* or *Buchprüfer* with small ones.

Whether I refer in this paper to *Wirtschaftstreuhänder*, as defined in the Austrian code of practice, or use the internationally known term 'accountant', I shall be referring to all professional groups covered by the Austrian professional code for business confidants in so far as they are concerned with small businesses.

The small firm, be it a trading or craftsman type of business, a service firm or a professional office, consults the accountant on many questions which he also deals with in the course of his duties for medium-sized and large concerns. But in the case of the small business the accountant's work is on a smaller scale. The duties performed by the accountant on behalf of medium-sized and large concerns are mainly of a

consultative nature or connected with auditing: on the other hand he will frequently be called upon by small firms to deal with administrative matters affecting the business because the owner of the firm lacks the time or the expert knowledge to attend to them himself, or because it may be uneconomic for a small firm to have its own specialist staff.

### Work for Small Firms

The tasks carried out by the accountant on behalf of small firms include, in particular, the design and keeping of the firm's books in accordance with the requirements of the commercial and taxation codes, preparing the payroll and related official duties such as clarifying labour and social security questions. The offices of accountants whose business is largely concerned with small businesses are so arranged as to enable such businesses to make use of their accountant to deal with administrative duties which, on the one hand, call for expert knowledge, and, on the other, are on too small a scale to justify the employment of expert staff.

Current accounting may also include the monthly analysis of pre-payments of turnover tax, the monthly or quarterly statement for the proprietor on the financial and income position of his business – this may take the form of a discussion between the accountant and the proprietor or the production of a statement based on the books backed by any necessary explanatory notes.

The task of preparing the payroll normally includes the preparation of the pay-slips for each employee required by the taxation laws, or pay sheets. It includes the calculation of tax to be deducted from wages, social security contributions and the employer's 6 per cent contribution to the child allowances fund. The so-called external audit of taxation on wages (i.e. the audits carried out by the fiscal authorities in order to check amounts deducted or withheld from wages for taxation purposes and the 6 per cent contribution to the children's allowance fund) is normally dealt with by the accountant's office. This means that the owners of small businesses have at their disposal experts who are in a position to deal with points raised by the fiscal authorities, for



example to adjust shortcomings discovered during the audit.

The small firm frequently also calls upon its accountant to deal with the following questions: clarification and advice on labour and social security questions, holiday claims, recording of dismissals, giving notice, payment of overtime and all questions connected with collective bargaining (agreements between the trade unions and the employer's representative).

### Book-keeping Centres

In order to deal with their accounting work on behalf of small businesses many accountant's offices have set up so-called book-keeping centres. These deal with the accounting data periodically, either manually or by machine. The Austrian *Kammer der Wirtschaftstreuhänder*, which is recognized by Austrian law as representing the accountancy profession, has its own committee on book-keeping centres which concerns itself with questions or problems connected with book-keeping centres, such as fees etc., and gives advice and recommendations to members.

In this connection attention must be drawn to institutions which undertake book-keeping, the preparation of yearly declarations of profit, and the handling of tax formalities for certain collective groups and are sponsored by an organization. Professional associations are, for this purpose, looked upon as such organizations, e.g. the associations of trade and industry, certain subsidiaries and specialist groups within such associations, pharmaceutical societies and certain wholesalers' associations (the SPAR organization and its advisory centre on accounting). These institutions are generally directed by a *Wirtschaftstreuhänder*. If these institutions were to be run by persons who were not members of the *Kammer der Wirtschaftstreuhänder* this would be a breach of the provisions of the professional code and in such an event civil proceedings might be taken.

These organizations, which we may call group book-keeping centres, unquestionably offer considerable advantages to their members. The uniformity achieved by grouping makes it possible to employ a uniform accounting system through which, coupled with the similarity of the transactions, the cost of keeping the books is reduced. Another advantage of these group book-keeping centres is that the collection by a single organization of numerical data for similar concerns makes it possible to prepare annual index numbers from the balance sheets which have been drawn up. These index numbers can be based, among other things, on the relation between capital employed and turnover, between turnover and number of employees, between turnover and size of premises, on speed of stock turnover, and various other factors. The yearly notification of these average index numbers and of the individual index numbers for the particular business make it possible for members to ascertain whether they are operating economically and to discover any shortcomings in the

management of their business which will at once become obvious if there is a marked deviation in the index numbers.

It must not be overlooked that these group book-keeping centres present certain inherent dangers and disadvantages. It must first of all be said that processing by a concentrated book-keeping centre of this kind involves the risk of a development of a collective type. Another danger is that the member is liable to become dependent upon the sponsoring organization.

Another question arises which particularly affects the professional status of the accountant. It is that organizations running these group book-keeping centres advertise either directly or indirectly on their behalf. Thus the accountant in charge of the centre benefits indirectly from publicity – and this is a breach of the professional code for *Wirtschaftstreuhänder*. Naturally, the organizations have to increase the number of clients served by the book-keeping centres in order to have as much material as possible to work upon when preparing their index numbers – which should be broadly based. The tendency to expand is also necessary on commercial grounds, since an increase in the membership means that the book-keeping centres can provide their services more cheaply.

### Profit Statement for Tax Purposes

Each year the accountant prepares for the small businesses which use his services a statement of profits for tax purposes which is related to the annual accounts. The law allows three possibilities in this connection, viz.:

- (a) Statement of profits on an estimated lump-sum basis allowed by law.
- (b) Statement of profits based on the statement of excess of income over expenditure (or of expenditure over income).
- (c) Determination of net profit by inventory comparisons (balance sheet).

The estimated lump-sum basis is used, in accordance with the relevant laws, where the taxpayer keeps no records and his turnover, net profit, number of employees, etc., do not exceed the maximum limits laid down by law for individual branches of commerce. However, certain minimum entries – as, for instance, those affecting goods received – have to be made regularly even by firms entitled to use this system. The role of the accountant is relatively small where this method of determining profits is used, as the estimated lump-sum basis is very simple and small trading concerns are helped with it by their trade organization, i.e. their chamber of trade.

Small firms whose trading assets at the end of one financial year normally do not differ greatly from those of the previous year may show as their profit the excess of income over expenditure – or vice versa if there has been a loss. The use of the second method is conditional upon the limits established by law not being exceeded as regards turnover, trading income or trading assets. If these limits are exceeded the small

firm – if in that case it can still be described as such – is also required to determine yearly profits by inventory comparison (balance sheet).

Accordingly, balance sheets have to be prepared by those firms which voluntarily keep accounts in accordance with the regulations laid down in commercial law or which are legally bound to keep such accounts because they exceed the limits described above. The determination of yearly profits using the methods indicated at (b) and (c) above is normally carried out by a firm of accountants.

The accountant's work normally also includes the yearly completion of tax returns and the provision of advice on numerous tax problems. As regards turnover tax, income and trading tax, this mainly involves the following tasks: advice on allowable tax deductions for expenses, on the range and amount of tax deductions admissible for depreciation, whether depreciation due to normal usage or accelerated depreciation under the law to encourage investment, and various other questions.

Another most important field of activity for the accountant is the verification of tax returns for accuracy and conformity with the law, the submission of appeals against tax assessments to the fiscal authorities and representation on such appeals; the provision of advice on application for further time and other concessions regarding payment; the preparation of relevant data affecting such applications and the required action where it proves necessary to approach the fiscal authorities.

### Management Problems

The *Wirtschaftstreuhänder* has many problems to solve in the field of management and organization. Thanks to his intimate knowledge of the accounts of the undertaking with which he is concerned and, in general, to his familiarity with large numbers of balance sheets of similar undertakings, the accountant is in a position to discover the sources of mistakes made by the management – or at least to indicate the possible sources of such mistakes. The tracing of the various branches of activity which have not achieved the targets set for optimum yields, and are accordingly to be regarded as unremunerative, is a special problem in the planning of the general orientation of the activities of the undertaking. In commerce it is essential to identify those categories of goods which it is no longer economic to stock owing to inadequate sales and too slow turnover. The fact that a line of goods does not pay may be due, among other things, to too great a capital investment in relation to the gross return obtainable or to the need to mark stock down on a large scale because it has become outmoded or aged through an inadequate rate of turnover. If defects of this sort are recognized, recommendations will be made on ways of obtaining stock of a more suitable type. In the case of firms employing craftsmen or providing services, it is most important, from the point of view of the management, to discover those services which involve expenditure not covered

by the prices which are obtainable. Investigation of the basis of the firm's costings can also show that in some cases the prices charged for services are too high whilst in others they are too low.

In respect of all the necessary adjustments the planning of the accounting system must include consideration of assembling data which will form a useful basis for reviewing the situation.

It is particularly important for small firms to seek advice on problems involving costing, as proprietors generally calculate their prices simply on the basis of their own experience, usually without basing themselves on results obtained from the accounting system, i.e. without the assistance of factual data. Consequently, owners of firms should be shown how to make use of their accounts for costing purposes. In the case of small firms which do not have to work to fixed prices, it is well worth while to have rates for extra charges calculated, and periodically checked, by an accountant. Investigation of the profitability of capital outlay, planned investments, the setting up of branches and similar projects is a speciality of the consultant accountant.

Another special duty of the accountant is to advise on the drafting of wills for the proprietors of firms, for he is in a position to advise on how the change-over from one generation to another can best take place from the tax point of view. He can also advise on how best to share out the inheritance with a view to avoiding too great a reduction in the capital available to the successor to the business as a result of payments to the latter's co-heirs. In case of decease the accountant can also provide assistance in producing the inventory of the estate with a view to determining death duties on the one hand, and on the other, to assessing the value of the claims of other beneficiaries.

From the results of the book-keeping and from the annual accounts, the *Wirtschaftstreuhänder* is also in a position to draw conclusions as to the economic efficiency of the firm's management. He will be able to draw to the attention of the proprietor of the firm sources of mistakes or even suspicion of theft or fraud – or at any rate the possibility of these.

As regards organization, the advice provided by the accountant will be mainly concerned with accountancy. The accountant should adjust the accounting system to meet individual requirements while bearing in mind relevant legal regulations. Basically the accounts should provide all the information required by the firm for the purposes of costing, for meeting its tax obligations and for controlling its operations – and this information should be obtained at the minimum cost. The art of cost accounting, particularly as regards small firms, is to bear in mind their limited capacity to bear unproductive forms of expenditure, and so to achieve the maximum yield with the minimum outlay.

In the field of organization as it affects operational planning and rationalization, there is, in addition, a lot of ground to be made up and a great deal to do in our economy – particularly as regards small businesses.

However, this vast field cannot be covered simply by specialists in accountancy – the assistance of experts with specialized experience of the field will be required.

The small business has a special role to play both economically and in the social-political field. Only the small business is in a position to provide country dwellers with the goods and services required in everyday life.

In the economic life of the towns, it is the small concern which is responsible for the efficient distribution of such goods and services.

From a social-political point of view, the influence of the small firm on the social structure, and the part it can play in establishing the basis for independent existence for the majority of the people, is of great

importance. But it is the small firm which is most severely affected by the conditions governing competition, the taxation system and the advantage which large firms enjoy by reason of their greater capital resources.

However, the accountant has the necessary experience to be able to assist and advise the small firm in dealing with all these difficulties. His knowledge of the various factors which play a part in the economy and his specialist qualifications make it possible for the accountant to perform yet another duty. He is in a position to draw to the attention of the public problems which threaten the very existence of small firms and to point out the ways and means which exist of helping the small firm to overcome these difficulties.

## II—A FINNISH VIEW

by STIG COLLIANDER,

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A basic condition for the efficiency of a public accountant is, naturally, a good training, both theoretical and practical. May I say a few words on this subject concerning the training in my own country. An accountant who is approved by the Central Chamber of Commerce of Finland is an economics graduate, he has had many years of qualifying practice in various establishments or accountants' offices and, after this, he has passed the theoretical examination for prospective public accountants, set by examiners appointed by the Central Chamber of Commerce in the subjects of business economics and commercial legislation and, following this, he has passed a practical examination, conducted by a board of experts, in current ethics, accountancy technique, ability to write an auditor's report and practical tax legislation. All this education from the time he matriculated means that the public accountant has completed ten to fifteen years of learning before he is awarded his certificate, and it guarantees that he has a versatile knowledge and far from negligible store of special information.

Large undertakings nowadays have well-trained specialists for their various problems, such as finance managers, chief accountants, cost accountants, lawyers, market economists, etc. In his work for large companies the public accountant can give nearly all his attention to specific accountancy problems. The checking that occupies much time for a large company is much more speedily done for smaller firms. In relation to the latter, however, the public accountant may see, and his client may realize, that the management needs support and advice on many other questions as well. Quite often the observations and the advice come as a by-product of the main work, the audit, in which case they are not very costly.

Before turning to different kinds of practical advisory work, I must stress some important points. We, the public accountants, must always remember that our main task is the audit, that we have been appointed by the shareholders to examine the books and to give the general meeting a report on our work. We are thus representatives of the shareholders, and this part of our work is examination from a critical and preventive point of view. If the consulting function, which in some respects is perhaps the more constructive part of the work, receives greater stress, the client – the person who pays for the work – changes and becomes the board, the managing director or one or other of the departmental heads. Cannot this fact easily involve questions of authority and conflicts of interest? My answer to this question is that the accountant always requires tact and an ability to handle human relationships. This problem is easier to cope with in a small company in which the shareholders, the board of directors and the manager may consist of the same persons or, at any rate, of relatively few persons.

Part of the same problem is the question of when a public accountant should proffer information or observations. Should he offer advice:

- (1) without invitation and on the basis of what he has learned during the audit?
- (2) when asked to do so?
- (3) because of a possible duty to do so?

Or should he refuse to render any such service himself but recommend someone else, for instance a lawyer, an expert in organization and methods, an engineer, or the like, according to the nature of the case?

I just mention these alternatives. I think that the course to take must be decided according to the

circumstances of each individual case. The answer may, of course, depend on the position and duties of a public accountant in different countries. The essential thing that must always be kept in mind is that the standard and the efficiency of the audit itself must not be sacrificed to the giving of advice – nor must the independent position of the public accountant, as would happen if he in any way participated in the management of the undertaking.

With all these reservations, I turn to some important groups of advisory activity.

### **1. Book-keeping, the Organization of Book-keeping and Special Research Work**

The public accountant is perhaps considered to be a specialist mainly in book-keeping, which makes it quite usual for his assistance to be sought in matters relating thereto. Is it right for him also to undertake the keeping of the books himself, or should he recommend an independent book-keeper or book-keeping office for this? This is rather a delicate point. In my opinion, he is not doing the job of a public accountant if he personally keeps the books and can then make a report on them. In Finland it seems to be quite exceptional for a public accountant himself to keep books for anyone. It is somewhat more usual for the accountant to employ a staff for service purposes, attending to or reorganizing smaller book-keeping jobs, etc. In this way, he is not personally involved and, as the client is responsible for the correctness of the material supplied, the public accountant is free to make his report. For this purpose his inspection of the books must be performed in the same critical way that he normally adopts. One may add that in this type of service work the accountant is often not obliged to make any report at all; he may be consulted simply as an expert.

Managing the book-keeping of various clients is, on the whole, routine work that lies a little outside the principal work of the public accountant and his well-trained staff. But within this branch of his service there can arise tasks that lie much closer to his real work and are considerably more difficult.

Let us suppose that the advice of the public accountant is asked on the general standard of the book-keeping and, for instance, on costing. He may have to advise that a reorganization is necessary. Problems of this nature are delicate from many points of view. Hence, it is not so easy to find the solution most appropriate to the client, and if the new system does not function satisfactorily the public accountant can easily get the blame for his. This raises the question of the staff. The introduction of a better system of accounts sometimes demands a more highly-trained staff than the existing one. Can the old staff be retained or reorganized, or, if the worst comes to the worst, must it go? Here we very often come up against problems that require the greatest tact and experience of negotiation. However, our experience is that the accountant can be of great service to the client even by simply pointing out the

problems, discussing them and letting them ripen. With time and patience it usually works.

Inspection of the current book-keeping may also make it obvious to the public accountant that a special investigation – perhaps an extensive one – ought to be made. This lies within the normal scope of the public accountant's practice, but he must still ask himself whether the client is ready to pay for the extra work. It is up to the client to ask for the investigation, and if he thinks it useful it will usually be undertaken. It may happen, however, that an especially critical investigation is not desired. Such a position arises where the reason for some neglect is to be found at the door of the management.

Let us, however, confine ourselves to actual cases of such investigations. When competition becomes keener and profits shrink the resulting low profitability, for small businesses particularly, is often a heavy burden. Can the profitability be raised? The answer is yes. It has happened more than once that a special investigation has shown that some products sell at a loss and have to be discontinued, or that the costs of a certain department are too great and that it must be abolished or reorganized, etc.

### **2. Advice to Management**

From the more or less purely accountancy problems we now come to the public accountant's advisory functions, which are given him by the management and are completed in co-operation with them. A wide range of problems arises here. I list some of these tasks to show how important they may be for the business as a whole. I must limit this to a simple enumeration, as a detailed description of the different cases is beyond the scope of this paper. The questions may concern:

- Organization of internal controls (including stock, cost- and budget-checking, reports to the management, etc.).

- Increasing share capital and/or borrowing.

- Investment of temporary surplus funds.

- Employment of staff.

- Foreign currency problems – especially during a period of foreign trade restrictions.

- Purchase and sale of securities, machinery, furniture and equipment, and land.

- Sale of the entire share capital of the undertaking, or purchase of the shares of another undertaking.

- Planning of and participation in the distribution of inherited estate.

The common feature of all these diverse tasks is that often other specialists besides the public accountant are consulted. But I would stress the fact that it is a good thing to consult the public accountant in this connection, as he is the one who knows the problems from within and who has known them for a long time. In small businesses the management often shrink from consulting a specialist because of the fee, which is why the public accountant becomes a kind of 'family doctor' or, let us say, 'spiritual guide'. In my opinion, the public accountant should, when he finds

it useful, recommend that other specialists be consulted as well.

When dealing with company affairs of this kind, the inexperienced or unsuspecting public accountant is easily led down a blind alley. How, if he participates in the more or less daily matters of management, can he possibly criticize them? In Sweden and Finland the public accountant is obliged, by law and according to age-old practice,<sup>1 2 3</sup> to report not only on the accounts but also on the management. In other words, he must not only report that the accounts are formally in good order but must also state whether in all material respects the company was managed honestly and with reasonable care and foresight. His report must deal with the question whether the board of directors and the managing director can be discharged from liability.

There are two ways out of this dilemma. One is that the public accountant becomes a member of the board of directors, and consequently resigns his position as auditor of the company and hands it over to someone else. In Finland it is unusual for a public accountant thus to engage directly in commercial life and I know that in some countries this is strictly forbidden.

The other and more usual way out of the difficulty is naturally for the public accountant to ensure that he does not become directly involved in the running of the company; he analyses these measures according to the nature of the business, orally or in writing, and elucidates them in such a way as to make it easier for the client to draw his own conclusions.

Finally, I would mention under this heading something that a public accountant often comes across in small businesses. I refer to troubles and problems of personalities, such as disagreement – not to say discord – among the proprietors. By giving advice and acting as intermediary the public accountant can quietly achieve a great deal to the benefit of all concerned.

### 3. The Accountant and the Taxation Authorities

All over the world there is an increase of official power and influence. The State now concerns itself not only with defence, foreign representation, justice and other matters within its age-old sphere, but also with conditions of work, parts of the communications system, public health, schools and in general a widening social programme. Even business life has experienced competition from the setting up by Government of its own, often privileged, companies. The nature of a Government company varies in different countries, depending on local conditions and the structure of the economy, but the tendency is obvious.

The growing encroachment of officialdom results in a considerable part of the national income flowing through State channels. The taxation of private persons and of limited companies is becoming heavier everywhere. In Finland, we have to reckon that at least half of the net profit of a firm goes in taxes to the State, the community and the church. Seen against this background, it is natural that advice on corporate taxation by a public accountant has become more and more important, in particular to business men who have an insufficient technical knowledge of the subject.

The great attention that has to be paid to problems of taxation nowadays leads me to mention under this heading the advice and help of the public accountant at the closing of the books of private firms. I could have mentioned it elsewhere, particularly because in smaller businesses the public accountant is most often asked to ensure that the closing of the books should both be correct – correspond to general fundamentals of book-keeping and good business usage – and at the same time be as advantageous as possible for the owners in regard to taxes and other expenditure.

Does this involve a direct conflict – public accountant *versus* the Government and possibly its tax inspectors? Not in my opinion. Independent practitioner that he is, the public accountant owes a duty to no one but his client. On the other hand, the Government relies on the correctness of the accounts in cases where a competent specialist has checked them. This does not prevent the public accountant from giving effective help towards keeping his client's taxes within proper bounds. I shall mention a few of these cases here.

A Finnish public accountant may receive as a special assignment the job of checking that an undertaking has been correctly taxed. This is a point where a difference of opinion often occurs between the taxation officials and the taxpayer. The taxation official may not approve of treating as allowable certain items such as bad debts, and travelling and similar expenses. There may be disagreement about the size of the amounts written off machinery, furniture and equipment, and buildings.

If the public accountant sees that there is an opportunity for making a successful appeal against the decisions of the taxation officials, he may do the client a service by mentioning this fact to him. Quite often this service will include the wording and formulation of the appeal right up to the courts of the highest authority. It is not unusual in Finland for the lower courts to favour the tax assessor, and there is a greater possibility of winning the case in a higher court where the cases are thoroughly and objectively tried.

During the year too, and in any case before the closing of the books, the public accountant may help to keep down the taxation liability. From time to time the Government offers taxation advantages, either to encourage the building up of investment reserves in order to level out economic fluctuations, or for the

<sup>1</sup> Oskar Sillen, 'Om förvaltningsrevision i svenska aktiebolag' ('Auditing the Management of Swedish Limited Companies'), Stockholm 1952.

<sup>2</sup> Börje Forsström, 'Auditing the Management', *The Accountant*, May 24th, 1958.

<sup>3</sup> Robert F. Brandt, 'One World in Accounting', *The Journal of Accountancy*, July 1962.

more rapid building up of pension funds for reasons of social policy. All businesses, irrespective of size, may, of course, profit by such arrangements, but smaller firms usually just do not possess enough technical knowledge of these matters. The same observation is valid for such an interesting and important question as choosing the right moment to close the books. Keeping to the calendar is the customary routine, although some other point of time chosen with due deliberation might be advantageous both for tax and for other reasons. Mr R. W. Smith pointed this out in *The Accountant* of December 15th, 1962<sup>1</sup>. The same author mentions that 'taxation work overshadows most of the other dealings which he has with Government departments'.

#### 4. The Smaller Business Man and the Public Accountant as Types

So long as there is private enterprise, a chance for a man to turn an honest penny, new businesses will be born to struggle for a place in the sun. If they have the right spirit and ability they will gradually grow. I think this is true, even if the highly developed tech-

<sup>1</sup> R. W. Smith: 'Problems of the Smaller Practice I, II and III', *The Accountant*, December 1st, 8th and 15th, 1962.

niques and industrialization of our time make things more difficult than in former times. How can we make it easier for the new-comers?

Before answering this, we ought to be clear about another point: What type of person is the small business man? I think he is still quite often the self-made type of man, with ideas and a go-ahead spirit, someone who eschews formalities. He considers book-keeping, statistics, costs and profits as trifling with non-essentials. Perhaps he has a natural aversion to persons with a vast theoretical knowledge and may even think they are looking down on him.

We must learn to dispel such thoughts. We must popularize, make the figures of the business interesting, and show how they are a condensed part of something that gradually becomes history. We, too, are perhaps over-occupied with our own thoughts and find it difficult to discard a certain 'fussy' conventionalism. Let us try to sell our analyses and our knowledge, without advertising ourselves, which is in fact prohibited. Thus, we make ourselves more useful by trying harder to follow our clients' thoughts and ways of looking at things and we contribute to a better understanding between the men of figures and the men of action. In the long run both parties will profit.

## Mobility in Accountancy

by SIR MILES THOMAS, D.F.C., M.I.Mech.E., M.S.A.E.

*An Address given at the President's meeting of the Chartered Accountant Students' Society of London in Guildhall on January 27th.*

I WAS both proud and nervous when I received Mr Whinney's invitation to address the Chartered Accountant Students' Society of London. I was proud because obviously it is a privilege to address such a distinguished audience; and nervous because, although I have had a great deal to do with accounts and for that matter with accountants, they have always been matters and men that have commanded my respect as well as admiration; and in these hallowed surroundings which have seen so much of the history of London and the commerce of Britain that they are redolent of pageantry, an occasion of this kind must be treated with the deference that it deserves.

I would not dream of talking to you about any technical subject connected with your profession. I am not qualified to do so, and in any case my views might conflict with those of your sponsors and tutors. I propose, therefore, to talk about matters that are germane to the lives of all of us today; that is the questions of the impact of accountancy on travel, communications, and on personal and freight transportation systems – not only at ground level, but in the air and possibly under the earth. In short, on the mobilities of accountancy. So if I try to describe

out of my own experience how important is the effect of accountancy on this and other matters, I think it should at least give you food for thought – though whether it be in agreement or disagreement remains to be seen.

I can fairly say that I have spent the major part of my active life connected either with wheels or wings, and in all parts of the earth. When I was young I had the usual boyish passion for bicycles as a better means of transportation than walking, and it was not very long before I realized that an engine attached to a bicycle made things even more easy. Lazy by nature, and with a distinct dislike of being short of pocket money, I found at the early age of 15 or 16 that if I wrote articles about motor-cycling for the then weekly magazines that catered for that subject, I received hard money to an extent that at least alleviated the proceedings at the school tuckshop.

During the First World War, having been trained as an officer and in the course of that training having experienced the ardours of field days at Aldershot and various other centres of active infantry demonstration, I came to the conclusion that I preferred to do my fighting sitting down than on my own feet, and so I joined an armoured-car regiment which, if

it was not the acme of comfort, was at least a great deal better than toiling on my own feet across East Africa, where we were sent to do battle with the local German and native Askari troops.

As time went on I got more and more lazy and decided that people who flew aeroplanes, even on active service, usually got back to a comfortable bed at night (if they got back at all, that was), and so I transferred to the Royal Flying Corps in Egypt; and by degrees and easy stages became what they were pleased to call an apt pupil, then an instructor, then an aerobatic instructor. I was then sent on active service in what used to be called Mesopotamia. When I came back to England, which after the continual sunshine of the tropics seemed a very grey and grim place, my natural reaction was to covet the possession of a fast car.

### Morris Motors

I quickly realized that ownership of a fast car was considerably beyond my financial capacity, and so as I could not keep a car I made up my mind then and there that a car had got to keep me. Which indeed it did, because combining a car with an ability to write plain English enabled me to hold down a job, first, as a reporter and then editor on a weekly motoring magazine – a job which I enjoyed enormously. Particularly was that so because it brought me into contact with that great man, Mr W. R. Morris, as he was at that time – Lord Nuffield in later years – who was kind enough to offer me a job working with him in the promotion of his wares – the then bull-nosed Morris Cowleys and Morris Oxfords.

It was there that I first came into real contact with one of the main facts of life, that is, the cost of things. Mr Morris was peculiarly cost-conscious, but in a peculiar way. I know it will not appear disrespectful if I say that he had no financial training but he had that kind of yeoman thriftiness that he inherited from his mother who was the mainspring in the formation of his character and his career. He had had rather a rough time in his early days: after he had bravely set out on his own because his first employer refused him a rise of a shilling a week, he went into partnership with an Oxford undergrad. in the hopes of expanding the already prosperous garage business that he had built up.

Unfortunately, his partner did not quite understand that money spent on attracting customers by the way of demonstration runs, lavish entertaining and the like, had to be recouped by the actual sale of merchandise; and so Bill Morris found himself standing in the rain one day in Oxford watching the business that he had originally founded being knocked down piece by piece under the auctioneer's hammer. And as he had to borrow £50 in order to buy back his own tools of trade – wrenches, pliers, files, vices, brazing lamps and the like – the occurrence left more than a shallow scar on his mind.

Thus in later years he was, to say the least of it, very thrifty. That thrift he exercised particularly over

little things. At the other end of the scale he thought very big – very big indeed. One day we were walking round the plant after I joined him in 1924 and in one of the men's wash rooms there was a basin in which someone had forgotten to pull out the plug and had moreover left a large cake of soap in the sudsy water.

Do you know I have never seen a man more furious in my life. W. R. was livid, and had me cause to be put up notices, saying, 'Gentlemen will leave these wash basins in the condition in which they would like to find them'. Well, that did a lot of good. A few days later he bought a large factory in Birmingham for £720,000-odd – a very considerable sum of money in those days – over the telephone without bargaining one penny on the price.

I tell that story to illustrate that those people in business who are penny-wise are not always pound-foolish. But in the matter of building up a motor business Morris discovered another principle that helped him very considerably. Motor-cars to this day are made of a number of what are known as 'bought-out' components. No car manufacturer makes his own tyres or any electrical equipment, wheels or things of that kind.

In the 1920s most of the British motor-car manufacturers used to set about building cars one at a time, with loving care and great patience, and from the moment that the chassis frame was hoisted on to a pair of static trestles and the rest of the assembly work began, until the day when the car proudly took the road, could be anything up to a couple of months or more. However, Morris realized that if he could negotiate with the big supplying companies a contract whereby he paid for the goods ninety days after their receipt at his works, and if he could build and deliver a motor-car in something like three weeks, he would actually be trading on the suppliers' capital. In actual fact the system worked out very well indeed, and so the business prospered to a point that when the crunch came in 1921, and there was nothing in the order of a buyer's market for motor-cars, Morris took the bull by the horns and slashed £100 off the price of a £450 car (in round figures) – an exercise in which he was considerably helped by his bold decision to reduce the agents' discount or profit margin from nearly 20 per cent to something nearer 12 per cent.

### Thrift Accountancy

The Morris car was known to be a good product by that time, orders began to roll in, and it was here that what I would call the 'instinctive thrift' accountancy methods of Morris paid handsome dividends. He knew exactly what each component cost down to the nearest halfpenny, and he personally re-negotiated several contracts with suppliers because he was in a position to offer them increased quantities.

The point I want to make here is that he did not wait until the end of the year to see what his balance sheet figures looked like. His chief accountant when I joined him in 1924 was a man who had been sent



round by the chartered accountants as an auditor. Morris found that he was quick with figures, good at mental arithmetic, and offered him the job. He saw to it that this man provided him, not with history in the form of post-mortem analyses, but with up-to-the-minute news that enabled the dynamic Mr Morris to go personally into the workshops, put his finger on something that was costing too much and have the situation corrected. In that way he saved up enough money to buy other factories in the Midlands, thus building up his empire to the point it reached in the early 1930s, when nearly one out of every four cars sold in Britain was a Morris.

### Financial Operations

Inevitably as the business grew, the shift of emphasis came from what I would call accountancy to financial operations – finance, that is, in the matter of finding capital at the right time and at the right price with which to purchase the other companies which in total formed the Nuffield Organization.

During the time that the head of the organization progressed from being Mr Morris to Sir William Morris, baronet, and then Lord Nuffield, the business grew from plain Morris Motors to include Morris Commercial Cars, the M.G. Car Co, Wolseley Motors Ltd and the old Riley Co. Certainly in the case of three of these companies, they were purchased privately by Mr Morris himself and only when they were making respectable profits were they linked on to the public company, Morris Motors Ltd. In all these expansions and purchases – I suppose they might be called take-overs nowadays – Morris was advised on day-to-day matters not only by the firm of chartered accountants that he employed, but more personally on a day-to-day basis by a gentleman – a member of your Institute – who has never appeared in the limelight, and certainly never sought to do so, a friend of mine named Mr Wilfred Hobbs who became personal assistant to Mr Morris when I married his then lady secretary in 1924. In the build-up of what I can correctly call the Nuffield empire – a financial exercise that enabled Lord Nuffield to donate in one form or another more than £33 million to various charities, foundations and the like – this chartered accountant, a quiet, retiring man of great discretion and sage judgement, has been a very considerable instrument. The fact that today he is one of the controlling elements in the Nuffield Foundation, which incidentally owns about 40 per cent of the equity in British Motor Corporation and is therefore not bereft of power and influence, shows how virtue and ability, judgement and discretion, can bring their own reward in the sphere of chartered accountancy even though the achievements may go publicly unhonoured and sometimes unsung.

There are some cynics who do not believe that virtue is its own reward. While I do not agree with them all the way, I do agree that a tangible financial reward is always appropriate, and I am sure that in this hard commercial world all of you here can look

forward to proper recognition for any useful services rendered. I am not one of those who believe that no good deed goes unpunished.

But let me now leave the world of wheels and get on to wings. I joined British Overseas Airways Corporation at the invitation of the Government of the day in 1948 and was briefed, rather like Sir Giles Guthrie is being briefed today, to look dispassionately at the Corporation and see what should be done to stop it losing £8 million a year of the taxpayers' money. The Corporation was very much more under the limelight of Press probes than it is even today. There was a political war of nationalization *versus* private enterprise being waged, and the Corporation – like the Coal Board and the railways and other nationalized undertakings – was being used as a whipping boy to denigrate the principles of nationalization.

I do not propose to go into the political aspects of the affair, but I will tell you quite bluntly that in my judgement the Corporation needed better domestic accountancy. I used to look at masses of figures which were so late that they told me very little about the current situations on the various lines and routes. I felt that the need was for 'news' and not 'history', so I shopped around both inside and outside the Corporation and was fortunate enough to come into contact with Mr Basil Smallpeice, as he was then – Sir Basil now, of course – whom I persuaded to leave the British Transport Commission to join B.O.A.C. I want to say here and now that from January 1st, 1950, when Sir Basil came on the B.O.A.C. payroll, he did a very great deal to smarten up the accountancy side and enable us on the Board to see trends and situations.

### Creative Rôle

I am not going to pretend that it was accountancy alone that pulled B.O.A.C. together and enabled us to make a profit for the years 1952 to 1956, but I can assure you that it played its full part. And I think it would be a very good thing for all who are going into this exciting life of accountancy to understand and subscribe to the principle that an accountant, in my view at least, is not someone who sits on the sidelines and reports what is going on, or even has gone on; he is someone who, by quick observation and recognition of events that are happening and by forecasting by extrapolation what is likely to happen in the future and by communicating his views to his chiefs and colleagues, can play a very decisive and indeed creative part in the running of the organization.

In other words, I firmly believe that accountancy comes clearly into the line of management and is not just an inert service. Or let me put it another way: accountancy looks to the future as well as reporting the past. In that connection, if anyone wants to do a little crystal-gazing at the present time they could, as they are perfectly entitled to do as taxpayers, have a look at the current situation in the civil aviation business. I think it would be a little unfair to ask



anyone to deduce from such information as is published, the likelihood, for example, of B.O.A.C. filling all the seats that they will have available in a few years' time when they will have forty-five VC10s and Super 10s, twenty Boeings, nineteen Comets, one or two Douglas 7Cs, plus, as is likely if they get permission to order them, half a dozen 200-seater American supersonic aircraft and perhaps a few Anglo-French Concorde just to keep the *entente cordiale* alive.

I am very much interested in this supersonic situation. Let me admit at once that I am no curmudgeon when it comes to progress and development in the air or anywhere else. Indeed, I am on record as having stoutly recommended, as chairman of the Air Transport Committee of the Air League of the British Empire, that development of aeroplanes that go faster than sound should be encouraged and promoted in Britain. But until we know a little bit more about the finance and the accountancy of these supersonic aircraft, I am inclined to deplore the wild rush of airlines to get their names in the queue on an order sheet for an aircraft which has not yet been specified, of which the cost cannot possibly be known, of which the economics are hazy and which does not even consist of a few faint lines on a drawing board.

### Tragedy of the Comet

I always thought that the introduction of the big American jets was a fairly exciting gamble. But there was a certain amount of knowledge gathered by the Stratotankers – the big jet refuelling planes that had been built by Boeing and operated by the American Air Force. There was also the knowledge of the economics of the Comets. May I point out here that it should never be forgotten that the British Comet operated by B.O.A.C. was the pioneer of all civil jet services. The fact that the skin of the fuselage was about three-thousandths of an inch too thin and that the windows were square instead of round, so that stresses accumulated at the corners of the forward cabin windows was incredibly unfortunate, but that is the kind of price pioneers have to pay.

In my humble opinion, before supersonic civil airliners are actually operated, the aircraft should be put in the hands of the military for use either as freighters or simply as test aircraft to pile up thousands of flying hours so that any incipient bugs are got out of them before fare-paying passengers are taken aboard. I think this is all the more important because of the comparatively small advantages that one is likely to obtain from these enormously costly machines. I would doubt whether the cost of a supersonic passenger aircraft can possibly be less than £3½ million, even when they are in steady production. And what do you get? On a journey from London to New York you will probably just about halve the present flying time of six and a half hours, and that is a generous estimate because although the cruising speed of a supersonic aircraft could be somewhere in the neighbourhood of 1,700 miles an hour it does not get up to that cruising speed until

well after it has left the airport and gained height, and equally it does not descend to the destination airport from operating speed.

So it is safe to assume that the reduction on a long run of 3,500 miles across the Atlantic would be three hours. But there are two static time elements at present in this equation. Nobody lives near an aerodrome if they can help it and the journey from what we loosely call the City centre to the airport in London today, plus the time for ticket-checking, baggage labelling and the like, takes about an hour and a half; and at the other end, what with customs and one thing and another, there is another hour and a half from the moment the wheels of an aircraft touch down at Idlewild until the passenger is in a chair or a bed at his hotel in New York.

And so, to the six and a half hours at present, you have three hours to add, making nine and a half in all for the journey time. Cutting three hours off that means that the travel time is only reduced by a third and not by a half. I think if full benefit is going to be obtained from supersonic flight it ought to be coupled with speedy means of getting from town centres to the airports; and that is why I have become interested in an enterprise known as Speedover Transport Ltd which, providing we can get the necessary permissions and Government approvals, aims at setting up a very quick means of communication between a focal point in London and the airport itself. The Speedover system will disregard present levels of traffic, going either under or over the ground as the situation may need, and here again we have worked out some costs as all who have pride in good accountancy should properly do.

Incidentally, this time-saving equation becomes more dramatic when you take a shorter route, such as London to Paris. In order to reduce the overall travel time from London (Cromwell Road) to Paris (Les Invalides) by fifteen minutes, it would be necessary either to increase air speed from 550 to 1,300 m.p.h., or increase ground speed from 18 to 27 m.p.h.

### Another Aspect

There is another aspect of travel to which, in conclusion, I would draw your attention as cost-conscious students, and that is this question of easing the load on London accommodation. It is becoming abundantly plain that bringing office workers from their homes in the outer areas of Greater London and the Home Counties into the heart of the City for the day's work, housing them expensively in buildings of which the cost per square foot these days may be anything up to £3 or more, and then subjecting them to the rigours of another crowded and energy-sapping journey home each night of the working week, is rapidly becoming anachronistic.

I know from my experience that there is a very great deal of work at present being done in the centre of London that could equally well be done in places like Horsham or Reigate or Bracknell, Guildford, Welwyn Garden City and places like that. One of the

companies of which I am a director is putting its new computer system in one of these ring towns; another one is proposing to move three or four hundred people so that they can work nearer their homes in the suburbs. I remember I made great economies by moving B.O.A.C.'s accountancy system down to London Airport instead of paying high rents for its accommodation much nearer Town. For the process

of dealing with figures, either mechanically or through human agencies, can be done just as well in the quiet of the rural countryside.

In this talk I have ranged from the stratosphere down to the good yeoman earth and from the heights to the depths my experience convinces me that good accountants can play their part, both as recording angels and as lords of creation.

## Weekly Notes

### INCOME TAX MANAGEMENT BILL

**T**HE Income Tax Management Bill was introduced in the House of Commons this week. The object of the bill is to modernize the law governing income tax machinery and procedures; it does not affect tax payers' liability to tax.

The main proposal is the transfer of formal responsibility for the making of assessments, the agreement of claims to relief and other executive functions from the General or Special Commissioners to Inland Revenue officers (in the main to Inspectors of Taxes). This gives effect to recommendations of the Select Committee on Estimates in their Seventh Report (1960-61) and of the Royal Commission on the Taxation of Profits and Income. The changes involve adapting a large number of administrative provisions; and the opportunity is taken of restating and clarifying some of these, and also of repealing those which are obsolete. The Commissioners' appellate functions and the taxpayer's rights of appeal will remain unimpaired.

Effect is also given to the Royal Commission's recommendation that the appointment and removal of all General Commissioners in England and Wales should be entrusted to the Lord Chancellor, who is also given power to alter the number and boundaries of the 'divisions' for which they act. In Scotland this power is given to the Secretary of State but no change was recommended, or is made, in the general arrangements for appointment by county councils and certain town councils. The Bill also includes a number of other proposals facilitating the determination of assessments and claims and the collection of settled liabilities.

We shall give detailed consideration to the Bill in next week's issue.

### THE INSTITUTES' ANNUAL MEETING AND BUSINESS SESSIONS

**T**HE successful innovation of business sessions that followed last year's annual meeting of The Institute of Chartered Accountants in England and Wales is to be repeated as part of this year's annual meeting due to take place on Wednesday, May 6th, in the Assembly Hall, Church House, Westminster.

The three topics chosen for the 1964 business sessions are 'Changes in the basis of taxation of income from property', at which the President of the Institute will take the chair, and the speakers opening the discussion will be Mr D. O. Bailey, F.C.A., Mr Laurence H. Clark, F.C.A., and Mr G. H. Vieler, F.C.A. The Vice-President of the Institute will take the chair at the session on 'The role of chartered accountants in management advisory service', when the discussion will be opened by Mr L. W. Robson, F.C.A., Mr S. Dixon, F.C.A., and Mr A. B. Snow, F.C.A. The third session, 'Professional ethics for members in commerce and industry', will be under the chairmanship of Mr W. W. Fea, F.C.A., and Mr E. Hay Davison, F.C.A., Mr P. D. Irons, F.C.A., and Mr C. Croxton-Smith, F.C.A., will open the discussion.

There was an attendance of more than eight hundred at last year's sessions and it is likely that this number will be exceeded this year. It is anticipated that application forms will be in members' hands within the next fortnight.

### MODERN TAX SYSTEM NEEDED

**I**N a pre-Budget letter to the Chancellor of the Exchequer, the President of The Association of British Chambers of Commerce, Mr T. H. Summerson, D.L., J.P., states that Chambers of Commerce recognize that there cannot, this year, be a 'give away' Budget. In fact, the Association thinks it desirable that the Chancellor should state categorically in his Budget speech that he will, if necessary, make full use of the various international credit agreements, while, at the same time, threatening corrective action if incomes are not kept in line with productivity.

The Association sees the need for a neutral Budget as providing an opportunity to undertake long-term

planning so that annual taxation changes will conform to a gradual pattern of law revision which, by removing anomalies and injustices, will encourage commerce and industry. The Association suggests that there are some steps in this direction which can be taken at once. The profits tax abatement limits and those for directors' remuneration date from a time when money would buy nearly twice what it will today, and recognition of this fact would give an incentive out of all proportion to the revenue lost. The general basis of estate duty has remained unchanged for seventy years and it is contended by the Association that its present effect is frequently to act as a deterrent to the business man who might otherwise be looking for opportunities for expansion. It also wasted his time and energy in devising avoidance schemes.

While accepting that tax incentives to exports were internationally unacceptable, the Association points out that some existing taxes, such as those on hydro-carbon oils and local rates, were actually putting the British exporter at a disadvantage compared with his overseas competitor. It recommends a move towards a more widely and evenly spread purchase tax which could be remitted on exports and so help sales in overseas markets.

### INSTITUTE OF TAXATION AND THE BUDGET

**I**N a memorandum submitted to the Chancellor by the Institute of Taxation examples are given of complex and uncertain provisions of the taxation legislation. It is suggested that in many cases the uncertainty and complexity could be removed by the adoption of simpler legislation.

The new and unnecessary code under Case VIII of Schedule D with regard to the taxation of income from land should be 'swept away', and such income should be assessed under the ordinary principles applying to trades. It is recommended that Schedule 8 to the Finance Act, 1963, be repealed and that if at any time the total of business owner-occupier assessments under Schedule A exceeds the total which has been allowed as a deduction in the appropriate Schedule D assessments, relief should be allowed on that excess.

The Institute recommends that, with the exception of buildings, all expenditure on business assets at present the subject of allowances under Part X of the Income Tax Act, 1952, should be allowed over the year in which the expenditure was incurred, and the two following years, making three in all, and provided the business has been in existence for at least three years. Allowances for all capital expenditure (with the exception of buildings) over a period of three years would obviate the difficulties as to categories of plant which now come under review following the *Maden & Ireland* and *Jarrod* cases.

The Board of Inland Revenue, the Institute feels, should report on the results of their inquiry into a single corporation tax, and the professional bodies

should be invited to consider and to comment on that report. In any event, steps should be taken to assimilate the bases of computation of income for income tax and profits tax on companies.

The Institute repeats its recommendation that consolidation of the law on income tax, surtax and estate duty should be undertaken at the earliest possible date.

### COMPANIES AND THE H.-P. BILL

**I**N the House of Lords last week an amendment was passed on clause 1 of the proposed extension of the application of the Hire-purchase Act, 1938, to exclude bodies corporate from the provisions of the Bill. The Minister of State, Board of Trade, said that it was felt a hirer was given exceptional protection in recognition of his comparative weakness and lack of knowledge in relation to a finance company and a dealer. There was no reason why normal business concerns should be specially protected in their dealings with other concerns. This amendment was agreed.

Certain amendments were not written into the Bill. Among these were that an agreement signed by a hirer should reveal the amount of commission paid to the dealer and another regulating the size and colouring of the lettering covering the whole of an agreement. Against the Government's advice an amendment by Lord Peddie was accepted making it necessary for a copy of the document to be retained by the hirer or buyer after he has signed it. The Government spokesman said that this was not recommended by the Molony Committee and that a statutory provision for a copy of the provisional agreement to be left with the hirer might divert attention from the actual agreement which came later.

### E.E.C. AND INFLATION

**W**ITHOUT question one of the major contributory factors in the rapid economic growth of the member nations in the European Economic Community during the past decade has been their ample supplies of labour, drawn largely from the agricultural community. More recently, however, first in Western Germany and later in Holland, Italy and France, the pressures of 'over-full' employment have been reflected in increasing inflationary tendencies. Wage costs in particular have been rising and export surpluses have been diminishing, with short-term overseas lending building up in the E.E.C.

Reviewing the events of the past year in his report to the E.E.C. Commission, the Vice-President, M Robert Marjolin, is reported as warning the Community that unless the mounting inflationary pressures were checked, the expansion would certainly be halted and there was even the risk of a slump. In his opinion the member countries needed to restrict public spending, to revise their monetary policies to

reduce the volume of liquidity and, above all, to co-operate in the implementation of such measures.

Mounting Government expenditures are apparently a major contributory factor since they have risen more sharply than the growth in the national income. So far, according to M Marjolin, the various Governments' lack of action in this field could endanger the economic balance of the Community. Nevertheless, it appears that the aggregate gross product of the member countries is expected to rise in 1964 by about 4½ per cent, compared with 4 per cent during the past year.

It is evident that the West European economy generally is afflicted with the same problem. To some extent this is a matter for some relief in the United Kingdom where, as Ministers have been warning, income increases are becoming excessive. Up to a point, as long as the rest of Europe is inflating as rapidly as the United Kingdom, British exports need not suffer unduly. The question is, which countries will prove most successful in coping with inflation?

### RESPONSIBILITY OF THE INDIVIDUAL

**S**PEAKING at a dinner held in Newcastle upon Tyne on January 30th, Mr R. Statham, C.B.E., J.P., F.A.C.C.A., Vice-President of The Association of Certified and Corporate Accountants, told members and guests of the Northern Counties Society of Certified Accountants that responsible individuals comprise a profession and the question of responsibility was of greater importance today than ever before.

If the country was to progress in keeping up with the productivity aims of the planners, said Mr Statham, then it was time to start moving towards a democracy more in keeping with the twentieth century - moving towards what he described as an 'Adult Democracy', in which there could be greater development of self-reliance and self-dependence of the individual.

This question of giving back to the individual his responsibility was tied up with the Welfare State, declared Mr Statham. The Welfare State was needed in the transitional period after the Second World War, but that transitional period was now at an end and it was necessary to recast the present Welfare State because in 1964 it was proving to be a hampering factor. It was not possible, he said, to build a flexible new world of the future without such restyling.

Turning to the resale price maintenance controversy, Mr Statham stated that the Canadian Traders' Association had in the past few days requested the Canadian Government to consider the restoration of resale price maintenance. The British Government, he said, could not afford to overlook this factor in forcing the retail price maintenance experiment upon British trade, particularly at a time when unity of purpose to maintain higher productivity was essential. 'I go further', he added, 'and warn the Government

that if this Bill is put on the Statute Book it will be nothing less than a "Spiv's Charter".'

Initially, in the first few months, the lifting of retail price maintenance might lower the cost-of-living index, said Mr Statham. But in the long run it would raise the cost-of-living index if the lessons gleaned from its abolition in the U.S.A. were applicable to the United Kingdom.

### SPECIALISTS' ROLE IN MERGERS

**A** BOOKLET written by Mr Nicholas Stacey, a director of Chesham Amalgamations & Investments Ltd, draws attention to the need to use specialists in take-overs and mergers. Following a useful account of the economic functions of mergers in a changing society, he goes on to point out that the acquisition of companies is a specialized activity. As it requires the consideration of issues which are not normally within the purview of business men, it is desirable that specialists should be used to assess the value of an acquisition. In particular, he points out that the historic record of a concern is not necessarily an adequate indication of its future profitability. Anyone buying a company is concerned with the future markets for its products and it is an assessment of these which should help to fix the valuation of the assets to be taken over.

Mr Stacey thinks that the growth of world trade and the increase in the internationalization of business are accelerating the pace of mergers and acquisitions across national frontiers. This is leading to a new type of spread of business interests and to gain a secure foothold quickly in another country it is easier to buy an existing company rather than start from nothing and gradually acquire connections and assets. He thinks that this type of expansionary device may prove important to British companies as and when the United Kingdom joins the European Common Market.

### PRIVATE CAPITAL EXPENDITURE

**O**NE of the most disappointing features of the recent economic revival in the United Kingdom has been the virtual absence of any significant increase in capital expenditure on the part of private industry. The latest figures published in a recent issue of the *Board of Trade Journal* show that in the third quarter of 1963, industrial capital expenditure was 1 per cent lower in real terms than in the second quarter. If allowance is made for the exceptional weather in the early part of last year and the figures adjusted, the official statisticians estimate that the latest figure might be one point higher than in the average for the previous half-year.

Apart from demonstrating the difficulties of evaluating modest movements in such statistical series, the simple fact is that there is no sign of the revival in capital goods investment on the part of private in-

dustry needed if Britain's projected long-term expansion is to be achieved. Only in the distributive and service industries is there any indication of rising investment. This is possibly a reflection of mounting consumer expenditure which in due course, if the trend is maintained, may ultimately encourage industrialists to follow suit.

Nevertheless, such a development may as yet be somewhat remote if the Board of Trade's latest figures on the state of industrial stocks are to be believed. During the third quarter of 1963, after making allowance for seasonal factors, it is estimated that manufacturers' and distributors' stocks fell by

£60 million. The fall was apparently more marked in the manufacturing industries than in distribution, but there are already signs that production may be catching up with aggregate demand. The *Board of Trade Journal* reports that despite the margin of uncertainty which surrounds these early estimates for the final quarter of 1963, it is reasonable to infer from their sample figures that manufacturers' stocks are again rising. It is difficult to determine what factors are still exerting a constraining influence upon the United Kingdom economy, but among them a certain lack of business confidence regarding the future undoubtedly ranks high.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 210

'TOO much paper-work,' said the deputy chairman irritably. 'All these sheets of paper . . . how is it that accountants always seem to proliferate masses of paper. Don't you ever think of what it means in terms of money and time and typists' costs?' He scrabbled fussily at the schedules of analysed costs attached to our forward cash forecast. 'Paper!' he growled.

'We are always conscious of the problem,' I replied with what I hoped was cold dignity. 'Our reports come under constant scrutiny and are minimized as far as is compatible with efficiency.' The phraseology, I reflected, was good; the demeanour calm; the sentiment above reproach. If there was a stilted nuance reminiscent of our old friend Jeeves, gentleman's gentleman, that was unavoidable in the circumstances. I fell silent and awaited the next attack.

The deputy-c. called up the second assault wave. Composure, it may be said, disconcerts him. He likes the flurried denial, the halting explanation; he thrusts aggressively at the soft underbelly of admitted ignorance or doubt. Now he shifted clumsily in his seat and probed the flank defences.

'Who on earth wants statistics of sickness and accident lost time by months? That's surely a case of water under the bridge by now,' he asserted aggressively, and I answered him with a big innocent smile. 'The personnel director positively insisted on them. You remember how short staffed we were during the heavy snowfall in 1963? The shirt factory travellers vanished *en bloc*; and the temporary summer holiday reliefs - we plan these to plug the staffing gaps caused from May to September by vacations.'

'Too many damn reliefs,' said the deputy-c.,

morosely conscious of the number of staff enjoying three weeks' holiday annually, a concession, be it said, which he had opposed vigorously. 'All these juniors holidaying abroad; I suppose they think themselves too good for Blackpool or Brighton?' He cocked a belligerent eye at me across the table. He never really forgave my thoughtless disparagement years ago of a particular French holiday resort . . . but how was I to know he'd spent his honeymoon there and thought it only just short of Paradise?

Oil on troubled waters seemed indicated. 'True for you, sir,' I agreed with nicely-gauged warmth. 'Not like the old days when men were lucky to get holidays with pay; the rising generation doesn't know how lucky it is, with pension funds, annual welfare budgets and so on. They're not half the men their fathers were.'

But those disarming clichés didn't go down so well; our worthy deputy-c. was in the mood to disagree with anyone who agreed with him. 'The point is that we've too many temporary staff anyhow,' he barked. 'Morale must be really bad in any department where they can't close ranks and spread the butter over more bread to keep the wheels turning.' His metaphors were shaky; they always are when he's annoyed. 'Just look at your accounts department during the summer! You want to engage six temporaries; why, it's ridiculous, absolute nonsense.'

Aspersions on accounts must be rebutted at once. 'Normally, you're probably right, sir,' I assured him. 'But they're all short-term, university students gaining experience, quite a cheap operation. The managing director authorized it; he's friendly with the college authorities.' Suave, I thought; polished, diplomatic, *le mot juste* . . . *quel finesse!* Him and his Dinard! *A la lanterne les directeurs.*

'There's too much paper anyhow,' he came round full circle. 'Reduce that report by 50 per cent in future; prune out everything superfluous . . . I leave the detail to you, mind; I'm not going to do your thinking for you.'

Thus does top management devote its talent to improving productivity; thus in harmony and sweet reasonableness do we aspire to the heights.

# Finance and Commerce

## Steel of Wales

**S**IR JULIAN PODE, F.C.A., F.C.I.S., chairman of The Steel Company of Wales Ltd, says very little about the recent strike at Port Talbot in his statement with the accounts which provide this week's reprint. This, perhaps, is hardly surprising as the issues involved were of national importance and Press, TV and radio kept the nation fully informed.

With the issue of the nationalization of the steel industry, Sir Julian deals at some length, giving for shareholders the statement issued by The British Iron and Steel Federation of which he is President.

He is convinced that 'to nationalize steel would be to harm the nation'. Normally, he says, the Federation would have placed alongside its own arguments against steel nationalization reasoned criticism of the factors leading the Labour Party to favour that course. But the Labour Party, he says, has not made one single recent attempt to put before the British people, authoritatively and in detail, the considerations relevant to the present and likely future position of steel which have led it to propose this major change in a basic British industry.

## Financing

An important point in Sir Julian's statement as chairman is the fall in export prices but for which the trading surplus before depreciation would have shown a satisfactory increase. The famine of flat-rolled steel, he says, has come to an end and there is ample capacity in the United Kingdom to supply all requirements. There is, in fact, a world surplus, particularly in Europe, and this has caused a dramatic fall in export prices. The competitive position has raised the standards of quality demanded by customers and more has to be spent on production.

In the accounts, an important point is the repayment of £12 million to the Iron and Steel Holding and Realization Agency (in effect, a Government loan), leaving a balance of £6 million in the accounts which has been wiped off since accounting date.

Sir Julian explains that this has been made possible in two ways. Cash flow arising from depreciation and retained profits has been considerably in excess of capital expenditure, and, secondly, the company has financed a considerable volume of regular purchases by means of three-months bills which have been negotiated in the London money market at favourable rates. Short-term indebtedness is still considerable, he admits, but well within figures agreed with the company's bankers.

## The Twopenny Stamp

**M**R ROBERT LAIDLAW, in his statement as chairman of Clydesdale Bank Ltd, urges again this year the abolition of the 2d stamp on cheques. It would help, he says, to make payment by cheque more popular, and transfer cash in pocket to deposits in banks. 'It is generally agreed', he says, 'that a reduction in the amount of cash which has to be transported about the country is in everyone's interest.' When one recalls how comparatively easily over £2 million of bank cash was removed from a mail train it is certainly difficult to disagree.

One necessary prerequisite to the wider use of cheques, Mr Laidlaw feels, must be the creation of an atmosphere of confidence in the value of cheques as a means of payment, backed by 'more stringent measures to deal with any person uttering worthless cheques'.

In this connection may be quoted a recent experience of the Gresham Trust, one of the City issuing houses. Gresham Trust offered for sale 750,000 5s shares in Travis & Arnold at 9s each. One enthusiastic applicant put in 3,927 applications on forms cut from newspapers with cheques totalling £441,787, all in separate envelopes. This multiple application was spotted, the cheques were presented – and returned with orders not to pay. The mind boggles at the wasted effort, and also at the cost of it in newspapers, cheque stamps and postage.

## Sinister

More sinister, in a way, said Observer of *The Financial Times* commenting on this case, were the cheques that didn't bounce. Of one batch, there was an early warning in the form of an anonymous tip-off. Gresham researchers did not try to trace the 150 applications that were warned off but managed to identify some because, though different names were used, all seemed to be written by the same person with the same pen and came from the same bank. In another case involving eighteen applications using two banks and eighteen different names, the author took no trouble to disguise his writing and used consecutive cheques out of the same books. 'All his cheques (totalling nearly £250,000) were honoured, as were those of the other alias-merchant.'

Gresham Trust has placed the matter before the Issuing Houses Association and the London Stock Exchange. Observer comments: 'Since few people normally run eighteen bank accounts in different names or carry a quarter of a million on current account, I fancy there might be a remedy elsewhere.'

Mr Laidlaw, indeed, as a banker, might well move for an inquiry in banking circles into what may be a gross mis-use of the banking system. Accountants, particularly, will realize the possible implications.

Gresham Trust deserves a good word for its vast trouble to expose this abuse of the cheque in an offer for sale which, apart from the 'duds', brought in over sixteen thousand applications.

## THE STEEL COMPANY OF WALES LIMITED

## PROFIT AND LOSS ACCOUNT

for the 52 weeks ended 28th September, 1963

	NOTES	1963	1962
		£	£
Sales and Other Income .. .. 1		138,723,732	135,026,291
Costs of Production and Other Charges .. .. 2		119,965,164	116,442,573
Trading Surplus before Depreciation		18,758,568	18,583,678
Depreciation .. ..		9,471,912	8,994,654
Interest .. .. 3		5,006,192	5,332,405
Taxation on Profit for the year .. 4		950,000	700,000
Profit for the year .. ..		£3,330,464	£3,556,639
Which has been allocated as follows:—			
Dividends, less Income Tax:			
Interim Dividend of 9d. per share, paid 31st July, 1963 .. ..		918,750	918,750
Proposed Final Dividend of 1s. 3d. per share .. ..		1,531,250	1,531,250
Retained in the Business .. .. A (page [168])		2,450,000	2,450,000
		880,464	1,106,639
		£3,330,464	£3,556,639

NOTES ON AND FORMING PART  
OF THE PROFIT AND LOSS ACCOUNT

1. Sales and Other Income includes income from Trade Investments £385,065 (£259,132).

	1963	1962
	£	£
2. Costs of Production and Other Charges include—		
(i) Emoluments of Directors of The Steel Company of Wales Limited:		
(a) For services as Directors .. ..	20,042	19,819
(in addition fees of £3,350 (£3,350) were paid by Associated Companies)		
(b) Other Remuneration, including contributions to Pension Schemes ..	117,243	106,434
	£137,285	£126,253
(ii) Contributions to Pension and Life Assurance Schemes, and Retirement Allowances, for Staff and Workpeople ..	£697,329	£741,111
3. Interest is made up as follows—		
5½% First Debenture Stock 1980/85 .. ..	2,194,022	2,194,022
5½% Second Debenture Stock 1964/87 .. ..	1,433,551	1,433,551
Loan from Iron and Steel Holding and Realisation Agency .. ..	823,439	1,173,452
Sundry .. ..	555,180	531,380
	£5,006,192	£5,332,405
4. Taxation on Profit for the year, including amounts added to Taxation Equalisation Account (see Note B on page [168]), is made up as follows—		
Profits Tax .. ..	650,000	650,000
Income Tax .. ..	1,700,000	1,700,000
	2,350,000	2,350,000
Less: Relief from investment allowances ..	1,400,000	1,650,000
	£950,000	£700,000

## Balance Sheet as at 28th September, 1963

	NOTES	1963	1962
		£	£
Share Capital			
AUTHORISED			
Shares of £1 each .. ..		60,000,000	60,000,000
ISSUED			
Shares of £1 each, fully paid ..		40,000,000	40,000,000
Revenue Reserve			
Profits Retained .. .. A		34,422,048	34,273,435
Total Share Capital and Reserves		74,422,048	74,273,435
Amount set aside for Future Taxation			
Taxation Equalisation Account .. B		25,900,000	25,350,000
Income Tax due on 1st January, 1965		1,900,000	1,300,000
		27,800,000	26,650,000
Debentures and Loans			
5½% First Debenture Stock 1980/85 C		40,000,000	40,000,000
5½% Second Debenture Stock 1964/87 .. .. C		25,000,000	25,000,000
Loan from Iron and Steel Holding and Realisation Agency .. .. D		6,000,000	18,000,000
		71,000,000	83,000,000
Current Liabilities and Provisions			
Creditors .. ..		12,798,574	12,677,045
Bills Payable .. ..		7,021,144	—
Current Taxation .. ..		1,781,024	3,126,852
Amount due to a Subsidiary Company		30,613	36,132
Provision for Maintenance, including Relining of Blast Furnaces ..		2,239,203	2,366,184
Proposed Dividend, less Income Tax		1,531,250	1,531,250
Indebtedness to Bankers .. ..		13,919,256	13,359,385
		39,321,064	33,096,848
		£212,543,112	£217,020,283

## Fixed Assets

	1963	1962
	£	£
Freehold and Leasehold Land, Buildings, Plant and Machinery and Sundry Equipment, at cost .. ..	226,035,949	223,969,527
Deduct: Provision for Depreciation ..	66,587,333	58,221,813
	159,448,616	165,747,714
Shares in Subsidiary Companies, at cost ..	30,615	30,615
Amount due by a Subsidiary Company ..	47,318	47,307
Trade Investments, at cost less amount written off .. ..	907,651	717,901
Loose Plant and Tools, including Spares, at valuation .. ..	10,394,090	10,372,944
	170,828,290	176,916,481
Current Assets		
Stocks .. ..	22,243,935	20,523,967
Debtors and Bills Receivable .. ..	19,458,734	19,568,312
Bank Balances and Cash .. ..	12,153	11,523
	41,714,822	40,103,802

Signed on behalf of the Board

E. JULIAN PODE

W. F. CARTWRIGHT

Directors

NOTES ON AND FORMING PART OF THE ABOVE BALANCE SHEET ARE GIVEN ON PAGE [168]

## THE STEEL COMPANY OF WALES LIMITED

NOTES ON AND FORMING PART  
OF THE BALANCE SHEET SHOWN ON PAGES [167]

<b>A Revenue Reserve—Profits Retained</b>	£
The amount of Profits retained as at 28th September, 1963, is made up as follows:—	
As at 29th September, 1962 .. .. .	34,273,435
Add: Balance from Profit and Loss Account .. .. .	880,464
	<u>35,153,899</u>
Deduct: Redundant fixed assets written off, less taxation relief .. .. .	381,851
Additional provision for income tax arising from Section 29, Finance Act, 1963 .. .. .	350,000
	<u>731,851</u>
	<u>£34,422,048</u>
<b>B Taxation Equalisation Account</b>	
This account represents income tax at 7s. 9d. in the £ and profits tax at 15% on the amount by which, at 28th September, 1963, accumulated taxation capital allowances on fixed assets exceeded the provisions made in the accounts of the Company for depreciation and maintenance.	
<b>C Debenture Stocks</b>	
Both Stocks are secured under Trust Deeds and are redeemable at £102%.	
<b>D Loan from Iron and Steel Holding and Realisation Agency</b>	
The balance of the loan has been repaid since 28th September, 1963.	
<b>E Subsidiary Companies</b>	
In view of the insignificant amounts involved no group accounts are submitted. The trade of one subsidiary was taken over by the parent company as from 1st October, 1962; the profits of this subsidiary for all previous accounting periods have been dealt with in the accounts of the Company. The other subsidiary has not traded since its incorporation.	
<b>F Commitments for Capital Expenditure</b>	
The outstanding capital expenditure sanctioned by the Board to date amounts to approximately £4,000,000 (£5,500,000).	
<b>G Contingent Liabilities</b>	
Bills discounted: £3,604,517 (£2,078,680).	
Guarantees: £ 611,570 (£ 661,119).	
Trade Investments: £1,817,500 (£1,711,250).	
<b>H Currencies</b>	
Assets and liabilities in other currencies have been converted at current rates of exchange.	

## ASSETS—£000's

Year	Fixed Assets at Cost	Depreciation	Net Fixed Assets	Net Current Assets	Total
1954	102,345	11,923	90,422	7,742	98,164
1955	120,138	15,829	104,309	8,318	112,627
1956	139,368	20,119	119,249	10,853	130,102
1957	161,441	25,629	135,812	9,077	144,889
1958	183,888	29,993	153,895	8,012	161,907
1959	200,683	36,182	164,501	10,187	174,688
1960	209,774	44,152	165,622	18,807	184,429
1961	224,642	50,267	174,375	8,942	183,317
1962	235,138	58,221	176,917	7,007	183,924
1963	237,415	66,587	170,828	2,394	173,222

## FUNDS EMPLOYED—£000's

Year	Share Capital	Reserves	Debentures and Loans	Future Taxation	Total
1954	16,936	4,528	67,100	9,600	98,164
1955	16,936	10,191	70,600	14,900	112,627
1956	16,936	13,802	83,200	16,164	130,102
1957	40,000	†12,366	73,000	19,523	144,889
1958	40,000	16,525	81,500	23,882	161,907
1959	40,000	22,164	89,000	24,524	174,688
1960	40,000	29,879	85,000	29,550	184,429
1961	40,000	33,167	83,000	27,150	183,317
1962	40,000	34,274	83,000	26,650	183,924
1963	40,000	34,422	71,000	27,800	173,222

† reduction during year due to capital reorganisation

## PRODUCTION—'000 TONS

Year	Coke	Pig Iron	Steel Ingots	Saleable Products		
				Steel Plates	Steel Sheets	Tinplate
1954	691	893	1,559	259	646	477
1955	720	943	1,748	233	782	502
1956	956	1,018	1,728	254	700	523
1957	1,051	1,211	2,095	298	733	703
1958	1,053	1,327	2,178	280	775	670
1959*	1,082	1,365	2,324	206	912	802
1960	1,494	1,918	2,777	194	1,113	891
1961	1,434	1,830	2,633	242	1,017	791
1962	1,342	1,929	2,515	168	985	847
1963	1,515	2,183	2,720	158	996	853

\* 53 weeks

## PROFITS AND DIVIDENDS—£000's

Year	Turnover	Trading Surplus	Depre- ciation	Interest	Taxation Provision	Balance of Profit	Dividends (Net)
1954	74,193	14,244	3,551	2,408	4,200	4,085	372
1955	83,894	18,294	4,175	2,417	5,650	6,052	389
1956	86,798	14,212	4,678	3,583	1,950	4,001	390
1957	109,552	18,962	5,641	4,164	4,500	4,657	1,380
1958	113,397	22,159	6,085	4,535	6,000	5,539	†2,070
1959*	125,586	23,257	6,613	4,765	5,000	6,879	2,450
1960	143,096	30,479	8,217	4,835	7,400	10,027	3,062
1961	133,040	23,252	8,333	4,890	3,100	6,929	2,450
1962	135,026	18,584	8,995	5,332	700	3,557	2,450
1963	138,724	18,758	9,472	5,006	950	3,330	2,450

\* 53 weeks

† including special interim for 1959



THE  
ACCOUNTANT  
CITY NOTES

THE result of an opinion poll amongst investors now would in all probability find the 'Don't knows' in the majority. Selling pressure, so strong a few weeks back, has eased off but the low level of prices - low, that is, in terms of the early January peak - is not attracting new buying in any quantity. Nor are institutional investors who 'went liquid' to a fair degree in December in any hurry to get back into the equity market again. Although the more courageous of smaller investors seek to find shares likely to move against the general trend, their buying is not of a character calculated to put a better complexion on the equity market as a whole.

Mr Harold Wilson's reiteration of his industrial taxation policies and the Government's not particularly well concealed apprehension about re-inflationary dangers, hardly provide a combination of factors that will inspire equity support.

A General Election in June is beginning to look likely and there seems to be a growing disposition simply to wait for the election rather than to take action on the possible outcome. Under such conditions the immediate prospect for the market is a gradual slide in values punctuated only by minor, and largely technical, rallies.

\* \* \* \*

THE new issue market bids to be exceptionally active in the next few months. The move to 'go public' before the election is now strongly under way and 'four offers a week' is a popular forecast which might not be far off the mark.

So far there has been ready enough support for new offers and there has also been some comment to the effect that success is being achieved despite the slackness and dullness in the stock-market as a whole.

But new-offer support is now something apart from general investment. There is little or no inclination to see new share offers in terms of comparison with existing issues or with existing investment sentiment.

\* \* \* \*

THE inestimable quality of thrift has no place in the affluent society, for credit can bridge the gap between dreams and reality.' No prizes are offered for guessing that such a statement comes from a provider of credit. The provider in this instance is the Goulston Discount Company and the words are those of the chairman, Mr Leonard Dyer.

They appear in his statement with the company's 1963 accounts. New hire-purchase advances are running 'in excess of twice the amount of business done last year'. A similar statement on business was recently made by Mr Julian Hodge.

And yet to judge by record figures for life assurance, building society investment, unit trust investment and even National Savings, the 'inestimable quality' still seems to have a place.

\* \* \* \*

THE second interim report of the Committee on the Co-ordination of Stock Exchanges is due to be presented next week. The move towards stock exchange co-ordination has been a lengthy and involved process. It began on a 'National Stock Exchange' basis, then moved to a 'federation' basis - now 'co-ordination' is the word.

The change in terms can be accepted as an indication of the bargaining that has gone on behind the scenes. Domination of provincial exchanges and brokers by London was never a part of the plan from the beginning and 'co-ordination' suggests that domination will not be there at the end either.

## RATES AND PRICES

Closing prices, Wednesday, February 5th, 1964

**Tax Reserve Certificates:** interest rate 19.1.63 2½%

Bank Rate			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%

Treasury Bills					
Nov. 29	£3 14s	9.42d%	Jan. 3	£3 14s	4.19d%
Dec. 6	£3 15s	4.58d%	Jan. 10	£3 14s	3.33d%
Dec. 13	£3 14s	8.89d%	Jan. 17	£3 14s	3.63d%
Dec. 20	£3 14s	4.45d%	Jan. 24	£3 14s	3.81d%
Dec. 27	£3 14s	5.08d%	Jan. 31	£3 15s	2.01d%

Money Rates			
Day to day	2½-3½%	<b>Bank Bills</b>	
7 days	2½-3½%	2 months	3 15-3 31%
<b>Fine Trade Bills</b>		3 months	3 15-3 31%
3 months	5-5½%	4 months	3 15-3 31%
4 months	5-5½%	6 months	3 15-4%
6 months	5½-6%		

Foreign Exchanges			
New York	2.79 3/8	Frankfurt	11.12
Montreal	3.02 1/8	Milan	174 1/8
Amsterdam	10.08 1/2	Oslo	20.03 1/2
Brussels	139.34 1/2	Paris	13.71 1/2
Copenhagen	19.34	Zürich	12.08 1/2

Gilt-edged			
Consols 4%	66 1/8	Funding 3% 59-69	92 1/8
Consols 2½%	42 1/8	Savings 3% 60-70	88 1/8
Conversion 6% 1972	105 1/8	Savings 3% 65-75	80 1/8
Conversion 5½% 1974	100 1/8	Savings 2½% 64-67	93 3/8
Conversion 5% 1971	99 1/8	Treas. 5½% 2008-12	92 3/8xd
Conversion 3½% 1969	93 1/8	Treasury 5% 86-89	91 1/8
Conversion 3½%	59 1/8	Treasury 3½% 77-80	79 1/8
Funding 5½% 82-84	98 1/8	Treasury 3½% 79-81	77 1/8
Funding 4% 60-90	94 1/8	Treasury 2½%	42 1/8
Funding 3½% 99-04	66 1/8	Victory 4%	96 1/8
Funding 3% 66-68	92 3/8	War Loan 3½%	58 1/8

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Diploma in Management Accounting

SIR, - With regard to the announcement in *The Accountant* and the literature received from the Institute recently regarding the Joint Diploma in Management Accounting, I should have thought that the finalization of the small practitioner inquiry would have taken precedence over this. I am in agreement with the diploma but I think the time has not been well chosen. I would have thought that the greater majority of the profession was concerned with coping with arrears of work and heavy pressure, and in present circumstances they could not attempt to deal with management accounting effectively so as to give proper and adequate services to their clients.

It seems elementary to me that a prerequisite of management accounting is that the financial books and accounts should be up to date and in first-class order, and how can this be reconciled with all the arrears of work which are outstanding? I would suggest that the matter of management accounting be left over until all the problems arising out of the small practitioner inquiry are investigated and solved, and there is *much to be done*.

Let us have first things first. The time to consider management accounting is when our own house is in order, and this is the first essential.

Yours faithfully,

Leeds 1.

ISAAC BARTFIELD, F.C.A.

SIR, - The announcement of the preliminary proposals for the establishment of a diploma in management accounting services will have aroused great interest amongst all members of the accountancy profession. Welcome as the move is, however, I feel that in its present conception it contains a vital weakness.

The stated intention of the award is 'to encourage the study and improve the practice of . . . management accounting services'. One of its main requirements is of 'wide practical experience' on the part of candidates. The implication is that it is the opinion of the Councils of the five major accounting bodies in this country that such study and such improvements can only come from practitioners. This is to ignore completely the contribution which can be made by what I will call the 'academic accountant' - the qualified man teaching at a university or technical college. He has just the background and tempera-

ment which is required to advance the theory of our subject. Such an advance, I believe, is the *sine qua non* of any solidly based advance on the practical front.

The introduction of the diploma will inevitably create an academic *élite* amongst the membership of the five co-operating bodies. I would regard it as most unfortunate if this *élite* should automatically exclude those who have chosen to serve their profession by teaching its recruits and by undertaking research on its behalf. Their contribution can be quite as great as that of the practical man.

Management is fast becoming an academic discipline. If it is to continue to be the preserve of the professionally qualified accountant then the very best of his breed must be encouraged to enter academic life. This is not done by creating a kind of practical man's doctorate and excluding the academic from it.

I urge the five Councils to consider this and to make provision for admission to the diploma not only of men of wide practical experience but also those who can produce evidence of having undertaken effective field research though not themselves employed as management accountants.

If they turn from the idea that a cloistered academic has anything worth while to contribute to the 'real' world, let me point out that every accountant qualified by membership of one of the 'five' has already undergone a considerable period of practical experience as a condition of admission to that membership.

If my views have any support among your readers I would be most interested to hear of it either through your columns or directly.

Yours faithfully,

RAYMOND BROCKINGTON,

Sutton Coldfield,  
Warwickshire.

B.COM., A.C.A.

## Luncheon Vouchers

SIR, - At present, luncheon vouchers to the value of 3s per meal and day are a deductible item for the employer and are not taxable in the recipient's hands. If my memory does not deceive me this regulation has the purpose of putting, as it were, on equal terms firms not willing to establish their own catering with those who do so, thus offering to the employee an income tax free 'bonus' in view of the undeniable fact that staff catering departments are subsidized.

Meanwhile, all cafés and restaurants have increased their prices and, consequently, the real value of luncheon vouchers has decreased, while employers running their own catering establishments absorb automatically the higher costs, very seldom raising the price of meals served.

This state of affairs should be put right by allowing a higher value of luncheon vouchers as a deductible item.

Yours faithfully,

London NW2.

F. EISNER.

# E.D.P. for the Accountant and Auditor

## ENGLISH INSTITUTE'S PILOT COURSE AT HASTINGS

A pilot course on 'Electronic data processing for the accountant and auditor', organized by The Institute of Chartered Accountants in England and Wales, was held at Hastings last week. The course assembled on Sunday afternoon, January 26th, and continued until the following Friday morning. Attendance was by invitation, those attending being, in the main, experienced in computers, their use in business and the audit of computer systems, who will comprise a panel of lecturers and leaders for subsequent open courses for members of the Institute, the first of which is due to take place in May.

The pilot course was devised by Mr D. W. Hooper, M.A., F.C.A., of the National Coal Board (with the advice of the E.D.P. Sub-Committee of the Institute's Taxation and Research Committee under the chairmanship of Mr Cecil Taylor, J.P., F.C.A.).

The course was divided into five main parts:

- (1) the computer system;
- (2) use of the computer in business;
- (3) data capture and control;
- (4) auditing a computer system;
- (5) the accountant and auditor of the future.

Those attending filled two roles: firstly, they put themselves, as 'students', in the place of the members of the profession for whom the courses are being evolved, possibly knowing little about computers and their application, and they were encouraged to ask questions of the lecturers on any aspect that was not clear, or had not been adequately developed; secondly, they were asked to criticize the content and balance of the course, so that it might be amended and improved for future courses.

### Course Objectives

The purpose of future courses will be:

- (1) to promote an awareness of the potentialities and limitations of an electronic data processing system, together with the responsibilities imposed thereby, among those who will make use of it as accountants or will be in contact with it as auditors;
- (2) to provide an understanding of computers and electronic data processing, so that the persons attending can communicate with those responsible for systems design and operation;
- (3) to provide some basis of E.D.P. appreciation on which to develop more detailed understanding of the particular computer system or application which he has to face.

### Impressions of the Pilot Course

The dominant impression gained from last week's course was that two major steps forward had been taken by the Institute, firstly, in establishing training courses for its qualified members; secondly, in recognizing the importance of computers and electronic data processing.

The general feeling of participants was that it had

been one of the most interesting, stimulating and lively courses they had attended. Praise, as well as constructive criticism, was voiced to the director and the lecturers by those attending.

At the close of the course Mr Stanley Kitchen, F.C.A., Vice-Chairman of the Taxation and Research Committee, praised the work of all concerned and in particular the Director, the Assistant Directors (Messrs R. P. Brown, F.C.A., F. Clive de Paula, T.D., F.C.A., F.C.W.A., and B. A. Maynard, M.A., F.C.A., A.C.W.A.) and the lecturers (Messrs A. R. K. Hardcastle, A.C.A., J. M. Plumbe, A.C.A., J. P. Hough, A.C.A., C. P. Dear, M.C., F.C.A., J. O. Davies, F.C.A., A.C.W.A., and D. W. Hooper, M.A., F.C.A.).

After the course, the E.D.P. Sub-Committee met to amend the course syllabus in the light of experience gained, and to prepare proposals for the arrangement of the first courses for members.

### Future Members' Courses

The first courses to be organized will be for members in practice, commerce and industry who have no previous knowledge and experience of computers and electronic data processing, and will be introductory only.

Information is commonly processed in business by the use of clerical, keyboard and punched-card systems, and the computer is but a more sophisticated device for achieving similar ends. The subjects which will be concentrated on, therefore, are: what a computer is; how is it used in business; how does the way it is used in business differ from that of other data-processing systems; and the way in which the introduction of a computer affects the system of internal control, the task of the internal auditor, and the responsibility of the external auditor.

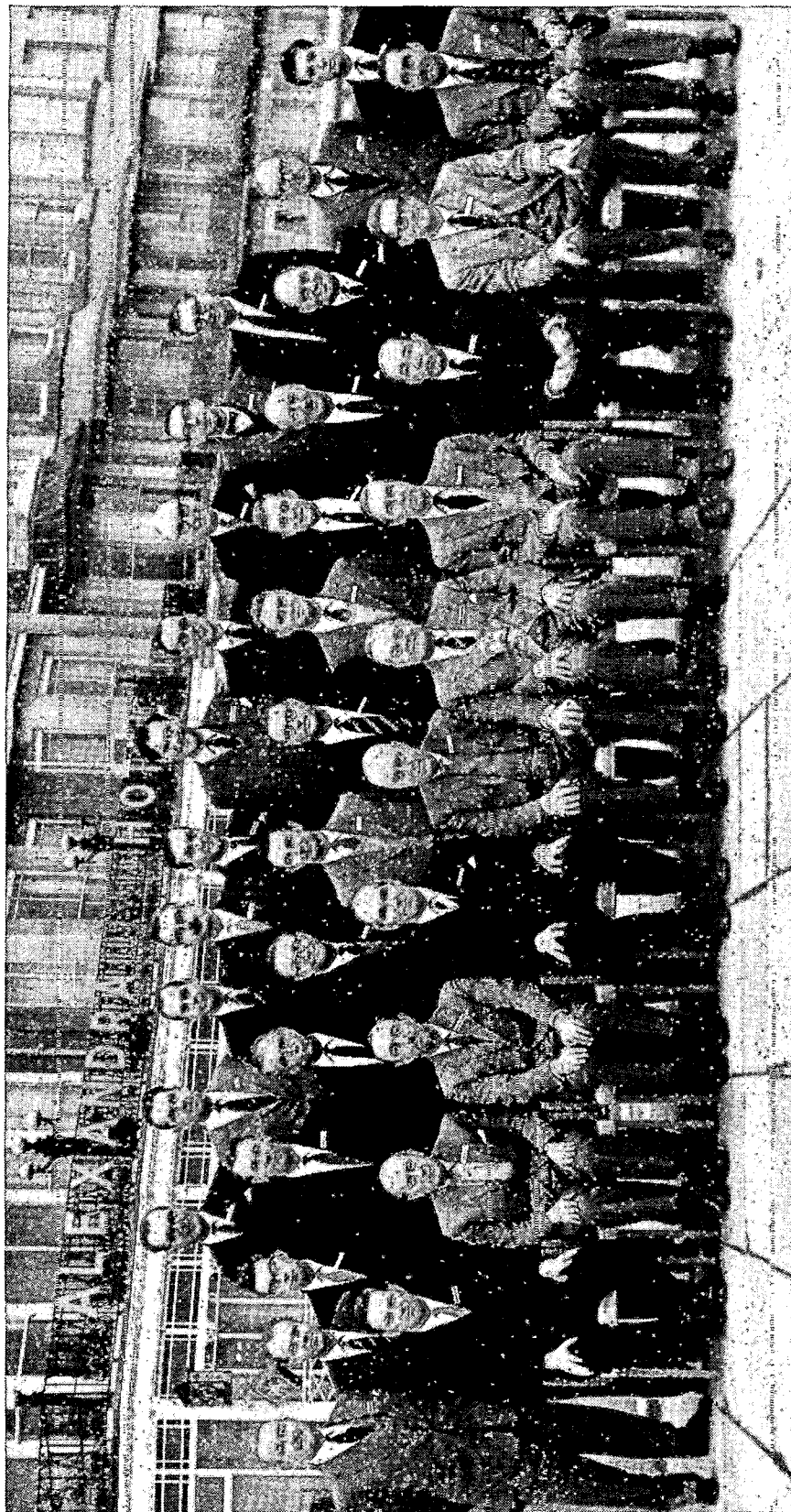
Appropriate use will be made of worked examples, syndicate case studies and other similar exercises to ensure that participants are given time to absorb the principles put forward and apply them to the sort of practical situations which are met in real life.

Tyros may take heart from the cry of one member of a syndicate of those experienced in the use of computers in industry who, on emerging from a case study of an audit problem at last week's course, was heard to say: 'I'm not concerned with whether I should look at the computer program or not, what really bothers me is whether I should show the £100,000 I have spent on a computer as an asset or liability.'

### GUEST NIGHT DINNER

A guest night dinner was held on Wednesday, with the President of the Institute, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., in the chair. Welcoming the guests, the President said that the Council was fully aware of the rapid developments in the use of computers and attached great importance to the proposed courses which will enable members in practice as well as those in industry to appreciate the

## Members of the Institute's E.D.P. Pilot Course at Hastings



**FRONT ROW (left to right):** Messrs P. L. Ainger, A.C.A., R. P. Brown, F.C.A. (Assistant Course Director), F. C. de Paula, T.D., F.C.A., F.C.W.A. (Assistant Course Director), C. C. Taylor, J.P., F.C.A. (Chairman, E.D.P. Subcommittee of Taxation and Research Committee), D. W. Hooper, M.A., F.C.A. (Course Director), S. Kitchen, F.C.A. (Vice-Chairman, Taxation and Research Committee), B. A. Maynard, M.A., F.C.A., A.C.W.A. (Assistant Course Director), G. A. Slaton, F.C.A. (Assistant Secretary, Taxation and Research Committee), J. A. P. Whinney, A.C.A., K. P. Chapman, D.Sc., F.C.A.

**MIDDLE ROW (left to right):** Messrs M. C. Ashill, F.C.A. (Under-Secretary of the Institute), J. H. Wackerbarth, F.C.A., F. M. Moys, B.A. (Administrative Assistant of the Institute), C. P. Dear, M.C., F.C.A., B. L. Collins, LL.B., A.C.A., A.C.W.A., A. Pinkney, F.C.A., A. J. Platt, F.C.A., E. L. S. Weiss, A.C.A., D. G. Rivett, A.C.A., L. W. Shaw, B.Sc., F.C.A., A. D. Compston, F.C.A., C. H. S. Loveday, F.C.A. (Under-Secretary of the Institute), B. C. Monaghan, B.COM., A.C.A.

**BACK ROW (left to right):** Messrs S. J. Russell, F.C.A., J. R. Christie, F.C.A., D. R. Mathews, A.C.A., R. L. Barrington, A.C.A., A.C.W.A., J. M. Plumbe, A.C.A., J. P. Hough, A.C.A., A. R. K. Hardcastle, A.C.A., J. O. Davies, F.C.A., A.C.W.A., M. A. Charlton, A.C.A., P. C. T. Williams, F.C.A.

impact of the introduction of computers on their work.

The pilot course was of great value, said Mr Winter, in showing that the Institute had experienced members who could design and run courses of this kind. The President then expressed appreciation to the National Coal Board for releasing Mr Dudley Hooper to act as course director and for helping in other ways toward the success of the course. Thanks were also due, he said, to the Taxation and Research Committee who had played no small part in assembling the potential lecturers, and to Mr Taylor and the subcommittee which had undertaken the arrangements.

Mr A. W. John, O.B.E., F.C.A., Finance Member, National Coal Board, replying on behalf of the guests, thanked the President and welcomed the co-operation between accountants in industry and the practising

members of the profession so clearly demonstrated by the course.

He suggested that automatic data processing introduced no new accounting principles, but that there was perhaps some shift of emphasis in the increased need to control basic data. He thought it was right that accountants were tending to take charge of automatic data processing in industry generally.

The National Coal Board, he said, actively encouraged the general development of automation which had been the major factor in increasing the productivity of the industry by 8 per cent in 1962 and 6 per cent in 1963. On the data processing aspect, the Board now had seven computer centres and would be delighted to arrange visits by members of the Institute as a contribution to the exchange of knowledge and experience.

## BRISTOL CHARTERED ACCOUNTANTS' DINNER AND DANCE

The importance of education was referred to by the first two speakers at the annual dinner and dance of the Bristol Area Branch of the Bristol and West of England Society of Chartered Accountants held at the Royal Hotel, Bristol, on January 30th.

Mr Geoffrey C. Ehlers, M.A., F.C.A., Chairman of the Branch, proposing the toast of 'The City and County of Bristol', stated that education was a common interest shared by the Society and their principal guest of the evening, the Lord Mayor of Bristol, Alderman Mrs Florence Brown, who had been connected with education for nearly thirty years.

The Institute, said Mr Ehlers, had its duty in the matter of education so far as articled clerks were concerned. When it was remembered that several thousand throughout the country were taking examinations it could be seen that these educational responsibilities were quite considerable. He added:

'In Bristol we are very lucky. We have a university; we have colleges and grammar schools of old foundation. We have modern schools equipped to accept any challenge . . . and furthermore we have a technical college and a College of Commerce.'

### Successful Courses

The College of Commerce, he said, had for many years run courses in accountancy but these had not altogether measured up to the Institute's standards. However, negotiations had taken place and the matter rectified. Now there were courses attended by articled clerks and these had been very successful. The percentage of failures of those attending the courses had been remarkably low.

Mr Ehlers drew attention to the fact that Alderman Mrs Brown was the first woman ever to be Lord Mayor of Bristol. 'This is a wonderful thing', he said, and added that in the Institute there were many lady chartered accountants. He went on to draw attention to the fact that seated at the top table was the first lady secretary of the Bristol Chartered Accountant Students' Society, Miss J. Hutchings.

Mr Ehlers, who also proposed the toast of 'The Ladies and Guests', gave a warm welcome to Mr W. Guy Densem, F.C.A., Vice-President of the Institute, and Mrs Densem. He recalled that Mr Densem was

no stranger to the city, having been articled there.

Replying to the toast, the Lord Mayor of Bristol said she was very glad to learn that the Bristol College of Commerce was helping to produce for the accountancy and other professions, the sort of raw material they required.

It was right, she said, that this sort of co-operation should exist, for all education was a means to an end and not an end to itself.

Today was an age of specialization, she added, and it was right that it should be, but it was necessary to ensure that specialization was not started too soon.

Sir Reginald Verdon Smith, B.C.L., M.A., proposing the toast of 'The Institute of Chartered Accountants in England and Wales', admitted to having once spent a year with a firm of chartered accountants, adding that 'the rest of us have to acknowledge that we cannot get along without the chartered accountant'.

### New Ideas

Mr W. Guy Densem, in his reply to the toast, commented on the number of Institute Council members with Bristol connections.

Bristol, he said, could assume that on the Council there was a good body of opinion to look after anything that could remotely affect the area.

He said there had been a lot of talk, argument and discussion over the years that Moorgate Place was 'stagnant'. 'But if anyone has considered the output of paper and ideas in the last year, I would have thought that idea would have been dispelled.'

After commenting on new membership arrangements, Mr Densem said numbers were not enough. Total membership was about thirty-seven thousand. Moorgate Place could not keep in touch with all members and 'get that vital sense of impulse to keep district societies going ahead'.

It was up to societies. . . . 'You have to make certain new members become active members.' Bristol branch, he added, had always been very active and he hoped it would long continue to be so.

Mr Densem concluded his speech with an explanation of the recently announced Joint Diploma in Management Accounting Services.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS H. O. BENNETT & Co, Chartered Accountants, of 46 Unthank Road, Norwich, announce that Mr PETER JOHN NOAKES, A.C.A., has been admitted into partnership from February 1st, 1964. The name of the firm remains unchanged.

MESSRS HARTLEY, KEEN & Co, Chartered Accountants, of Southend-on-Sea, announce that on February 1st, 1964, Mr S. H. MAY, A.C.A., became a partner in the place of Mr J. DENNINGTON, F.C.A., who then retired. They also announce that Mr C. E. G. WHITE, F.C.A., will retire from the partnership on March 31st, 1964, after which date the practice will be carried on by Mr L. M. KEEN, F.C.A., and Mr S. H. MAY, A.C.A. under the style as heretofore of HARTLEY, KEEN & Co.

MESSRS HILDITCH & YOUNG, Chartered Accountants, of Barclays Bank Building, 44 Old Hall Street, Liverpool 3, announce that Mr W. H. YOUNG, F.C.A., who has been continuously in practice since 1920, has retired from the partnership as from December 31st, 1963, but will be available for consultation by appointment. The practice will be carried on by Mr D. J. HADFIELD, F.C.A., who has been a partner for twelve years, and Mr P. A. DOYLE, A.C.A., who was admitted as a partner on January 1st, 1964, and has been associated with them for nearly nine years. The name and address of the firm will remain unchanged.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON announce with deep regret the sudden death on January 26th, 1964, of Mr WILFRED BRISTOWE PATON, F.C.A., a partner in London for thirty-six years.

MESSRS J. & A. W. SULLY & Co, Chartered Accountants, of 16 King Square, Bridgwater, announce that they have taken into partnership Mr J. R. S. PATTERSON, A.C.A.

MESSRS TIPTAFT, SMITH & GOODALL, Chartered Accountants, of Mexborough, announce that Mr DAVID H. P. TIPTAFT, A.C.A., son of the senior partner, joined the firm as a partner on February 2nd, 1964. The style of the firm remains unchanged.

MR R. J. WIGGINS, A.A.C.C.A., announces that his firm removed to 105 High Street, Oxford, on February 3rd, 1964. The telephone number temporarily is Oxford 41307.

## NEW ACCOUNTANT MEMBER OF I.T.A.

The Postmaster-General has appointed Provost W. Macfarlane Gray, O.B.E., J.P., F.A.C.C.A., of Stirling to be a member of the Independent Television Authority for three years ending January 21st, 1967. Mr Gray,

who succeeds Professor Talbot Rice, will make the interests of Scotland his special care.

Mr Gray, who is at present coming to the end of his second term of office as Provost of the Royal Burgh of Stirling, was the President of The Association of Certified and Corporate Accountants from 1954 to 1956 and a member of the Council for nearly twenty years until his retirement in 1958. He is also a member of the executive committee of the Scottish Council and a member of the South of Scotland Electricity Board.

## NEW COMPTROLLER OF STAMPS AND TAXES (SCOTLAND)

The Board of Inland Revenue have announced the appointment of Mr David Glass to be Comptroller of Stamps and Taxes (Scotland) with effect from April 1st, 1964, in succession to Mr R. W. Stanton, C.B.E., who is retiring from the public service.

## BOARD OF TRADE CHANGE OF ADDRESS

The Board of Trade headquarters address as from Monday, February 3rd, is 1 Victoria Street, London SW1. Telephone Abbey 7877. The telegraphic address and telex number remain unchanged.

## THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

### President's Luncheon

The President of The Association of Certified and Corporate Accountants, Mr V. R. Chennell, F.A.C.C.A., gave a luncheon party last Tuesday at the Grand Hotel, Sheffield. Those present were:

Mr T. H. Burleigh (*Managing Director, Firth Brown Tools Ltd; President, Sheffield Chamber of Commerce*); Mr G. V. Cooke, M.A. (*Deputy Director of Education, City of Sheffield*); Mr S. M. de Bartolome (*Chairman and Managing Director, Spear & Jackson Ltd*); Mr H. P. Forder (*The Master Cutler; Assistant Managing Director, The United Steel Companies Ltd*).

Mr G. W. Hand (*Managing Director, Markham & Co Ltd*); Mr Douglas Kay, F.A.C.C.A. (*Member of Council*); Mr T. S. Kilpatrick (*Director and General Manager, Steel, Peck & Tozer Ltd*); Alderman P. C. J. T. Kirkman, J.P., F.A.C.C.A. (*Deputy Lord Mayor of Sheffield; Member of Council*); Mr J. B. Piele (*Managing Director, Turton Brothers & Matthews Ltd*); Mr W. D. Pugh (*Managing Director, The English Steel Corporation Ltd*); Mr F. C. Osbourn, M.B.E., B.A., LL.B. (*Secretary of the Association*); and Mr J. R. Sparey, M.A. (*an Assistant Secretary of the Association*).

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**U.E.C. CONGRESS IN VIENNA****Association Plans Charter Flight**

The Certified Accountants' Benevolent Association proposes to organize a charter flight to Vienna in connection with the U.E.C. Congress in September. Though primarily intended for certified accountants it would also be open to members of other recognized accountancy bodies. The flight would be in a DC7C of Caledonian Airways leaving from Gatwick, and the fare would not exceed £26 per person return assuming that all seats are taken. The duration of the visit would be from August 29th to September 6th (inclusive) giving a few days on either side of the congress which commences on August 31st.

The flight would also be open to the near relatives of those eligible to take part, namely, husbands or wives, children, and parents living with the member. Only persons who are members of the Benevolent Association as at February 29th, 1964, will be eligible for the flight.

Further details both as to membership and to the flight may be obtained from the Secretary of the Certified Accountants' Benevolent Association, 22 Bedford Square, London WC1.

**LONDON AND DISTRICT SOCIETY OF  
CHARTERED ACCOUNTANTS****Conference on Taxation**

The Committee of the London and District Society have arranged a residential conference on taxation to be held in April under the chairmanship of Mr J. A. Allen, F.C.A. The conference will assemble at New College, Oxford, in the afternoon of Thursday, April 9th, and will disperse on Saturday, April 11th, at about 4 p.m.

Sir William Carrington, F.C.A., a Past President of the Institute, will open the conference, an important feature of which will be discussion in small groups and the exchange of views and experience among members.

**PROGRAMME**

*Thursday:* 'Estate duty - valuation of minority interests', by Mr T. A. Hamilton Baynes, M.A., F.C.A.; 'Domicile and residence of individuals and companies', by Mr J. D. Wells, F.C.A.

*Friday:* 'Administration of estates', by Mr J. S. Heaton, F.C.A.; 'Practical tax reforms', by Professor G. S. A. Wheatcroft, M.A., J.P., F.T.I.I., F.B.I.M.

*Saturday:* 'Taxation of income from property', by Mr K. H. Oates, F.C.A.; Brains trust. Chairman: Mr J. S. Heaton, F.C.A.

The conference fee of £8 includes the cost of accommodation, meals and service charge, but members

will be responsible for their own extras, such as drinks, newspapers, etc. Applications should be made by February 13th, to the Secretary of the Society at 2 Norfolk Street, London WC2.

**CITY DISCUSSION GROUP**

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday next at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m. The speakers will be Mr F. T. Hunter and Mr K. Hoare, and their subject: 'The new Joint Diploma in Management Accounting Services'.

**THE CHARTERED ACCOUNTANT STUDENTS'  
SOCIETY OF LONDON****First Intensive Introductory Course**

Next week the London Students' Society will begin the first intensive introductory course for newly-articled clerks since the Council of The Institute of Chartered Accountants in England and Wales revoked the prohibition against such courses which they imposed after the Parker Report. The course has been organized by the Students' Society in conjunction with the London and District Society in accordance with the recommendation of the Parker Committee that such courses should be 'identified with, and indeed embraced in, the activities of the students' societies'.

The course is fully subscribed, 150 students having been enrolled. It will last from Monday until Friday next: the students will have twenty lectures given to the whole course in the Oak Hall of the Institute by practising chartered accountants with substantial experience of lecturing on this scale. After each day's lectures there will be home work, and before the students come to their lectures the next day they will attend tutorials in small groups of ten to twenty.

The tutorials are being provided by four colleges of commerce in the L.C.C. area, two in Middlesex, and four by the professional accountancy coaches.

The aims of the course are to give newly-articled clerks and those who are about to be articled, the background of practical knowledge which will enable them to obtain the greatest benefit as soon as possible from the experience they will receive in their offices, and at the same time to become more useful members of the office team at an earlier stage of their articled service. These practical aims are being pursued by concentrating the course upon book-keeping and auditing. There will be ten lectures on book-keeping and four on auditing, supported by six lectures on the objects and organization of business, the wider aspect of accountancy and the profession of the chartered accountant.

Looking into the future, plans provide for a second course about the middle of June to give effect to the

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improvements suggested by the experience of the present course. It is hoped that after this further experience it will be possible to begin in the autumn a regular series of such courses extending throughout the year, so that provision can be made for all the 1,600 students who are articled each year in the London area.

### CHARTERED ACCOUNTANTS' GOLFING SOCIETY

The Chartered Accountants' Golfing Society is holding a dinner at the Café Royal, Regent Street, London W1, on March 4th, at 6.30 for 7.15 p.m.

Members may bring guests, and applications for tickets, which cost £1 15s each, should be made before February 27th, to Mr Eric H. Head, 54 Old Broad Street, London EC2. Telephone: London Wall 5082.

### THE INSTITUTE OF INTERNAL AUDITORS Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held on Thursday next, at 6.30 p.m., at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham, when Mr J. Poole, production controller of G.E.C. Ltd, Coventry, will speak on 'Some aspects of storekeeping and production control'. Further information regarding the Chapter may be obtained from the local secretary, Mr R. C. J. Lucas, West Midlands Gas Board, Wharf Lane, Solihull, Warwickshire.

### ASSISTANT OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade has announced that as from January 2nd, Mr Royston Bernard Howard has been appointed an Assistant Official Receiver to act as assistant to any Official Receiver appointed for the purposes of the Companies Act, 1948, and attached to the High Court.

Mr John Austin Sell has been appointed an Assistant Official Receiver in Bankruptcy attached to the High Court in succession to Mr Royston Bernard Howard. This appointment and revocation took effect on January 1st, 1964.

They also announce that Mr Kenneth Littleton has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Barrow-in-Furness and Ulverston, Blackburn, Blackpool, Bolton, Burnley, Kendal, Preston, Rochdale and Whitehaven and Millom in succession to Mr John

### SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF FEBRUARY 9TH, 1889

*A Weekly Note*

Royal Statistical Society

At a recent meeting of this Society, Mr. J. S. JEANS read a paper on "The Amount and Incidence of Imperial Taxation in different Countries." Mr. JEANS dealt with his subject under the following heads; total gross revenue; chief sources of revenue; incidence of taxation; sources of national income other than taxation; national debts; and increase of expenditure. Comparing the taxation of European States, he found that seventeen States with a population of 315,600,000 raised a gross revenue of £559,500,000, the average taxation per head being about £1:15:6. France was the most heavily taxed country in Europe, with an average of £3:19:6 per head, Prussia coming next with £2:6:4 per head, and Holland, Belgium, Italy, the United Kingdom, and Greece followed in due order. In the United States the average taxation per head was £1:5:0 and in Canada £1:6:6, while in the Australian colonies it varied from £4:6:6 to £9:9:9. The Indian revenue showed an average per head of 7s. 1d. only.

Austin Sell. The appointment of Mr Kenneth Littleton as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Liverpool, Bangor, Birkenhead, Chester, Portmadoc and Blaenau Ffestiniog, Warrington, Wigan and Wrexham has been revoked. This appointment and revocation took effect on December 30th, 1963.

As from the same date, Mr Elmslie Arthur Perkins was appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Sheffield, Barnsley and Chesterfield and also for the Bankruptcy District of the County Courts of Kingston upon Hull and Great Grimsby.

### ECONOMIC CONDITIONS OVERSEAS

Two further booklets in the series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued containing comprehensive analyses of economic conditions in the U.S.A. and Iceland. The booklets are available from H.M. Stationery Office, price 5s each.

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## Inland Revenue Reform

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IT is now nearly nine years since the Royal Commission on the Taxation of Profits and Income recommended some sweeping reforms in income tax administration, including the transfer of all assessment-making powers from local Commissioners to officers of the Inland Revenue. Six years later the Estimates Committee made a similar recommendation, observing that the existing practice of submitting assessments for formal signing by the Commissioners meant the waste of some five hundred inspector-days per year. Originally, of course, the vesting in local Commissioners of the function of making assessments was intended to be a protection for the taxpayer. What happens in practice is that whole books of assessments are submitted to Commissioners for signing, and they merely sign a certificate. An example is to be found in the stated case in *Venn v. Franks* (37 A.T.C. 79). In a similar case, the Commissioner concerned merely stamped his name on the certificate with a rubber stamp (*British Estate Investment Society Ltd v. Jackson* (35 A.T.C. 413)).

Now, at last, the power of making assessments is to be vested formally in the persons who have been making them already for so many years. This is clause 5 of the Income Tax Management Bill published last week.<sup>1</sup> The explanatory memorandum to the Bill puts this change as the main purpose of the Bill but of course it will make no practical difference to the taxpayer. The memorandum adds that effect is also being given to related recommendations of the Royal Commission designed to relieve the General and Special Commissioners of other executive functions, while maintaining their appellate functions unimpaired.

Some reform of the archaic system of appointment of General Commissioners was made by section 7 of the Tribunals and Inquiries Act, 1958, but this section is now to be replaced by the more thorough-going provisions of clause 1 of the new Bill. All General Commissioners in England and Wales are to be appointed by the LORD CHANCELLOR and to hold office during his pleasure. In Scotland, General Commissioners are to continue to be appointed by the appropriate local authorities, but at the request of the Board of Inland Revenue. A sheriff is to be *ex officio* a General Commissioner for any division wholly or partly within his sheriffdom; a salaried sheriff-substitute will be an *ex officio* General Commissioner for divisions within his district. The hitherto practically unchangeable divisions are now to be subject to change; in England by the LORD CHANCELLOR, in Scotland by the SECRETARY OF STATE. (It is to be hoped that the picturesque

<sup>1</sup> H.M.S.O. Price 3s 6d net.

names enjoyed by some of these divisions will not be abandoned).

Many will welcome the age limit of 75 years which is now to be applied to General Commissioners although it is not to come into force against existing holders of office until two years after the new clause 1 comes into force, which is one month after the passing of the Act.

The Bill makes comparatively little (some would say too little) change in the provisions regarding clerks to General Commissioners. They are still to be appointed by the General Commissioners but the quaint provision for their payment is to be altered. At the moment they are entitled to

- (a) a sum not less than the amount paid to the clerk by way of poundage for income tax for the year 1890-91; and
- (b) such further sum, if any, as the Commissioners of Inland Revenue, if they consider it expedient, may with the consent of the Treasury grant either on account of expenses incurred other than necessary office expenses or as additional remuneration.

When the Act is passed the clerks will receive such remuneration as the Board, with the consent of the Treasury, may determine. The Board will have a like power to pay a pension or gratuity to a former full-time clerk. The LORD CHANCELLOR (in Scotland the SECRETARY OF STATE) may dismiss a clerk 'after consulting the General Commissioners'. Hitherto, only the General Commissioners themselves could dismiss their clerk. One may assume, therefore, that there have been cases where the executive have wanted a clerk to go but have not been able to persuade the Commissioners to dismiss him. Moreover, an age limit is now imposed for the first time. It is 70 years, which seems old enough, although clerks in their eighties are by no means unknown. A clerk will still be able to stay until he is 75 if the Commissioners think it desirable in the public interest (i.e. not in the interest of the clerk himself or the Commissioners).

Evidence was given to the Royal Commission to the effect that the practice of appointing retired Inspectors of Taxes as clerks was undesirable, on the ground that the clerk might be thought to be biased in favour of the Revenue. The Royal Commission suggested that there should be a recognized convention that a retired inspector ought not to be appointed as clerk to Commissioners for an area in which he had seen

service as an inspector at any time during the preceding ten years. The new Bill says nothing about this, nor does it require a clerk to have legal qualifications. Certainly there are some taxpayers and accountants who would be happier if the retired local inspector were not sitting with the Commissioners and giving them advice in the absence of the appellant.

Speaking of inspectors, the fatuous definition of 'surveyor' in section 526 (1) of the Income Tax Act, 1952, is at last to go. Clause 3 (2) of the new Bill provides that any reference to a 'surveyor' is to be taken as a reference to an inspector, and 'inspector' is defined as *any* Inspector of Taxes. Declarations of secrecy are being revised to cover other schedules as well as Schedule D.

The Board of Inland Revenue are to cease to be *ex officio* Special Commissioners, but the task of making surtax assessments is transferred from the Special Commissioners to the Board, leaving the Special Commissioners with mainly appellate functions.

Powers to require returns of income and to make assessments are made much less complicated. References to 'additional assessments' are being dropped. Assessments made out of time on the ground of fraud, wilful default or neglect will require the sanction of a General or Special Commissioner who will require to be satisfied that there are reasonable grounds for believing that tax has or may have been lost owing to the fraud, wilful default or neglect. Doubtless this jurisdiction will not be exercised *en bloc* or with a rubber stamp. There is to be power to proceed in the County Court for tax unpaid.

Clause 9 and Schedule 2 to the new Bill introduce a new code for the claiming of reliefs. Where a claim increases liability for an earlier year, the time limit for making the necessary assessment is to be extended. Elaborate but more definite rules are laid down as to the jurisdiction of particular Commissioners in particular cases. Moreover a very valuable right is given to the appellant and respondent to agree on a body of Commissioners different from the one which would normally hear the appeal.

The Bill represents, in all, a very welcome piece of cleaning up, particularly for those concerned with administering the income tax Acts, not to mention the profits tax Acts.

# The Concept and Practice of Marginal Costing — I

by E. J. BROSTER

*Choice of method of marginal cost analysis depends largely upon the variety and complexity of the firm's products or services and the data available. In this article the most practicable methods are outlined and demonstrated, beginning in Part I with the simplest, and going on in Part II next week to the more sophisticated methods.*

**M**ARGINAL cost is defined as the net additional cost to the firm of producing an additional unit of output or of providing an additional unit of service. A unit of output need not be a single item. It could be a gross (e.g., of screws or nuts and bolts or rivets) or a cwt (e.g., of nails or straw); but generally for large items such as road vehicles and aeroplanes, it would be a single unit. We should think of the additional unit as being an addition to the rate of output, that is, as an increase in the output in a month or a year compared with previous months or years, or with any notional rate of output.

To begin with, at any rate, it is best to think of the marginal cost as applying to a plant of a given capacity, that is, to suppose that the additional unit can be produced without adding to or improving the plant in any way.

Necessarily, then, the marginal cost consists of direct labour, materials, fuel and power, without any allocated overheads. It might include, too, some items of wear and tear and even the maintenance and depreciation of fixed assets; but this will depend to some extent on the cost accounting conventions adopted by the firm. For instance, to consider a simple example, if the firm is a road transport contractor, the unit of output might be for the purpose the vehicle-mile in preference to the ton-mile. Wear and tear on the tyres could be logically included, and perhaps for most purposes should be. Tyres are, in any case, often accounted for as consumable stores rather than fixed assets, so that the reference to materials might be said to include them.

## Arbitrary Elements

Maintenance — a regular routine — if carried out on a mileage basis as is common practice, and not a time basis, is also a part of marginal cost, and so is depreciation provision if it is the firm's practice to calculate it similarly on a mileage basis rather than an annual basis. There is always the danger that an element of the arbitrary will creep into marginal costing, just as there is in any other kind of cost analysis. It is the job of the cost analyst to reduce this element to a minimum. If, after consulting the appropriate technical staff, he comes to the conclusion that depreciation is a function of vehicle age and not mileage, he

should exclude depreciation altogether from the marginal cost, whatever may be the conventions in use by the financial accountants.

We can now be a little more precise about the definition of marginal cost. It is best to think of it in the first instance as the net additional cost of an additional unit, but in fact it may be the net cost to the firm, that is, the purely variable cost of any unit at any rate of output.

In my experience, the marginal cost is a constant for all rates of output within the normal capacity of the plant, and it varies only when that normal capacity has to be exceeded, when it tends to increase. In other words, the total cost curve is a straight line, tending to curl upward as the normal capacity of the plant is exceeded.<sup>1</sup>

Admittedly, this constancy or linearity is empirical; but we will return to this point later when we consider methods of calculating the marginal cost.

## Expansion Considerations

Where a firm is proposing to expand the capacity of the plant in order to increase the rate of output, it is still best to think of the marginal cost in the same terms. The expansion may change the marginal cost and if the additional plant embodies technological improvements it will tend to reduce it. The net additional cost per unit of producing the increment of output including the additional time elements is best defined as the variable cost per unit, not the marginal cost. Once the plant has been expanded, the marginal cost would exclude all time elements.

In considering an expansion scheme, there are two marginal costs to be taken into account, that under old conditions and that under new conditions, and for some purposes it is necessary to compare them. Under conditions of a rational price-fixing policy, for instance, a fall of  $x$  per cent in the marginal cost would be followed by a fall of  $x$  per cent in the

<sup>1</sup> Other practical investigators in the same field report similar experience: *vide* A. Muir, 'Marginal Cost', *Applied Statistics*, Vol. 7, 1958; P. Lyle, *Regression Analysis of Production Costs and Factory Operations*, Edinburgh and London, 1946, revised by L. H. C. Tippett, 1957. (This book should be read by all cost accountants interested in the application of least squares to cost analysis): F. R. Oliver, 'A Cross Section Study of Marginal Cost', *Applied Statistics*, Vol. IX, 1962.

price, provided market competition had not changed in the meantime.

I have spoken of the normal capacity of the plant. We shall need to take a closer look at this later. In the meantime, partly to make a clearer definition of marginal cost, and partly to clear the ground, we turn to consider the determination of marginal cost.

The most obvious method of determining the marginal cost is by inspection, and often it is possible to do it in this way. The difficulty is to decide which items of cost vary fully and directly with output, and the marginal element of those items which also include a time element. We can build up a cost account something like that illustrated in Table 1.

**Table 1**  
**MARGINAL COSTING BY INSPECTION**

	Annual costs		Total £
	Time element £	Variable element £	
Rent of land and buildings	500	—	500
Rates .. .. .	40	—	40
Interest .. .. .	100	—	100
Depreciation .. .. .	100	—	100
Maintenance and repairs:			
Buildings .. .. .	100	—	100
Machinery and vehicles ..	200	100	300
Direct labour .. .. .	—	10,000	10,000
Indirect labour .. .. .	2,000	500	2,500
Materials .. .. .	—	10,000	10,000
Salaries (incl. insurance etc.)	2,000	200	2,200
Office expenses .. .. .	500	100	600
Fire insurance .. .. .	50	—	50
Insurance of vehicles .. ..	200	—	200
Licence duty .. .. .	200	—	200
Miscellaneous .. .. .	1,000	200	1,200
Total annual cost .. .. .	£6,990	£21,100	£28,090

I have shown the time elements as well as the variable to indicate the kind of items that fall into each of the two categories, and the kind that may have to be divided between the two. The marginal cost is the variable cost per unit. If the product consists of bicycles all of given specification, and if the firm produced 2,110 bicycles in the year, the marginal cost would be £10.

Now this, in the absence of other data, must be regarded as an average over the whole output. But strictly, the marginal cost is the net additional cost to the firm of producing the last unit or one more unit, that is, the marginal unit. If it is known that the relationship between annual cost and annual output is linear, that is, that the marginal cost is constant throughout the range of output from 1 to 2,110 a year, then £10 would be the true marginal cost. As I have said, this is generally true; so that even if it is not definitely known to be true, it is not altogether unsafe to assume it. However, making assumptions of this kind is not always advisable.

Another method of calculating the marginal cost is to build up two total annual costs for slightly different

rates of output and to divide the difference in the latter into the difference in the former. For instance, to use the above example, we could calculate the total annual cost of producing 2,100 bicycles. Then we might have something like this:

**Table 2**  
**MARGINAL COSTING BY FINITE DIFFERENCES**

Annual output No.	Total cost £
2,110	28,090
2,100	27,990
Difference	10
	£100

$$\text{Marginal cost} = \frac{100}{10} = £10$$

This result would confirm the linearity of the cost/output relationship, but only in conjunction with the result of the method of inspection. One advantage of the method of finite differences is that it is unnecessary to make any attempt to analyse the total cost into its time and variable elements. We could determine the shape of the cost/output relationship by applying the method of finite differences at various rates of output and thus save the need for analysis. We could also go beyond the existing rate of output to determine the normal capacity of the plant, defined as that rate of output at which the marginal cost tends to begin to rise. The method is demonstrated in Table 3.

**Table 3**  
**THE COST/OUTPUT RELATIONSHIP**  
The Extended Method of Finite Difference

Annual output		Total cost		Marginal cost (4) ÷ (2) £
No.	Difference No.	£	Difference £	
(1)	(2)	(3)	(4)	(5)
1,100	100	17,990	1,000	10
1,000		16,990		
2,110	10	28,090	100	10
2,100		27,990		
2,210	100	29,090	1,000	10
2,110		28,090		
3,000	500	38,990	7,000	14
2,500		31,990		
2,500	290	31,990	2,900	10
2,210		29,090		

From this, we can see at once that the marginal cost has begun to rise somewhere between output rates of 2,500 and 3,000 bicycles a year, and since the increase is appreciable, it probably began at 2,500 or not much more. Further analysis would reveal this; though it is true that a cost accountant familiar with the facts may be able to pin-point the normal capacity rate more exactly, and confirm it by the method of differences. After all, the total annual cost has to be built up by him, and the marginal cost

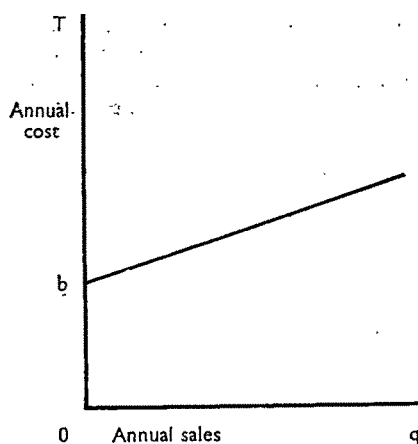


fig. 1.

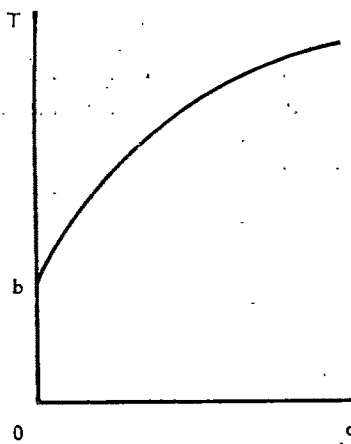


fig. 2.

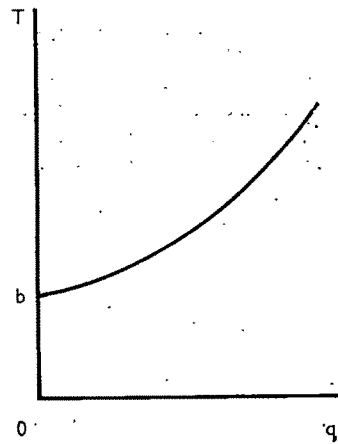


fig. 3.

begins to rise only as a result of the special measures that need to be introduced to increase the rate of output, such as overtime, week-end working and shift-working, at the appropriate rates of pay, or going to new sources of supply of materials at higher prices.

For any annual rate of output up to 2,500, the total annual cost can easily be calculated by taking that rate at £10 a unit and adding the time element of £6,990. Thus, where  $T$  is the total annual cost, and  $q$  the rate of output, we can express  $T$  as an algebraic function of output as follows:

$$T = 10q + 6,990 \text{ in } \text{£s}$$

so that where  $q = 2,100$ :

$$\begin{aligned} T &= 10 \times 2,100 + 6,990 \text{ in } \text{£s} \\ &= \text{£}27,990. \end{aligned}$$

This equation is a typical linear cost function, which in general terms may be written:

$$T = aq + b \quad (\pm)$$

where  $a$  is the marginal cost within the normal capacity of the plant, and  $b$  is the time element. It is represented graphically in fig. 1. If the marginal cost falls as the rate of output increases, the graph would

be as in fig. 2, and if it rises, the graph would be as in fig. 3.

Economists usually depict the marginal cost itself graphically. Thus figs 1a, 2a and 3a are the corresponding forms to fig. 1, 2 and 3 in marginal terms. In these, the time element does not appear at all. My preference is for the total cost curves rather than the marginal cost curves. They are more readily understood, and they convey in themselves more information of practical use. Moreover, they convey much more when plotted along with the total sales curve, as I hope to show in a later article.

### Concept of Normal Capacity

We can now turn to consider further the concept of normal capacity. I have already defined normal capacity as in effect that point on the linear cost curve where the curve begins to curve upward. As the curve continues curling upward, a point will be reached at which the marginal cost is equal to the average cost. This is represented as the point whose tangent passes through the origin. This capacity expressed in terms of annual output may conveniently

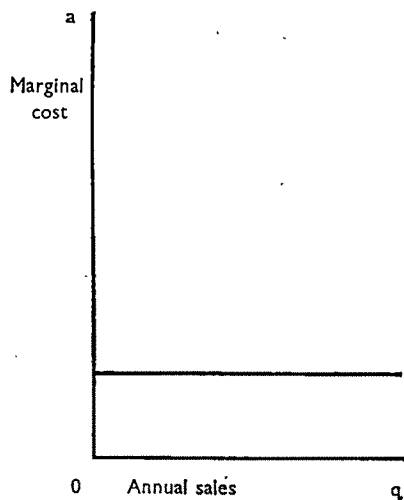


fig. 1a.

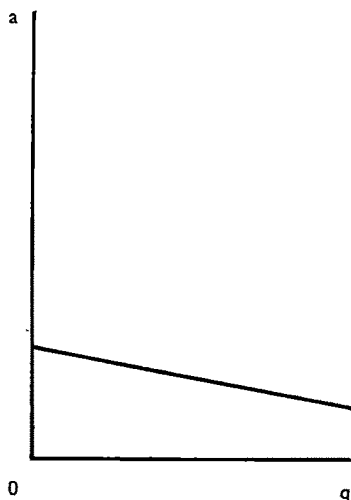


fig. 2a.

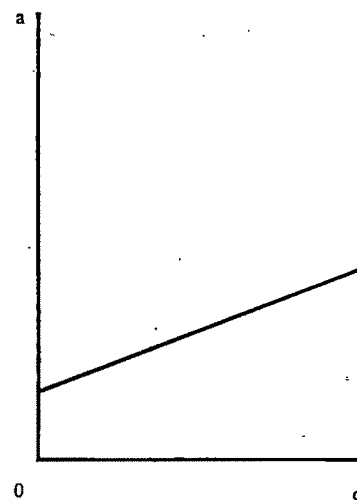


fig. 3a.

be called the economic capacity of the plant. In fig. 4, the origin is shown as  $O$ ,  $T$  the total cost on the  $y$ -axis, and  $q_n$  and  $q_e$  on the  $x$ -axis are the normal and economic capacities respectively.

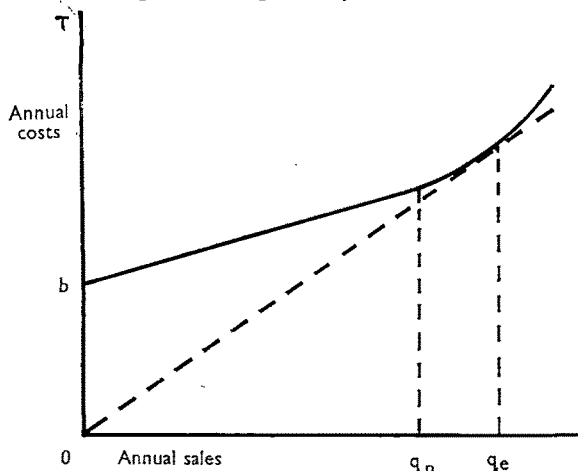


fig. 4.

The importance of the economic capacity is that it is profitable to increase output for any given price, up to that point. Beyond that point, a loss is incurred; and if it is desired to increase output beyond the economic capacity, it would pay to increase the capacity of the plant, thus causing a rise in the time element but bringing the marginal cost back to standard or less—less, that is, if the increased capacity involves a technological improvement.

This brings us to an almost intractable problem, one which, I admit, I have so far skated over. Capacity may be increased in different ways. First, it may be done by adding to the plant under an expansion-development scheme. Secondly, it may be done by replacing some or all of the existing plant under an expansion-renewal scheme with plant which is a technological improvement on the plant displaced. And thirdly, it may be done by reordering the existing plant under an expansion-reorganization scheme.

On the kind of capital work scheme that is adopted will depend any change that takes place in the position and slope of the cost curve. A change in the position would reflect a change in the time element, and a change in the slope would reflect a change in the marginal cost. The first and third types of capital work would always entail an increase in the time element. The second may not, and indeed would not, if the cost of providing and installing the improved plant did not exceed the cost of renewing the plant like-for-like.

### A Discontinuous Cost Curve

But the difficulty lies with the slope of the cost curve, that is, the marginal cost. Under a reorganization scheme, the marginal cost would tend to fall and the curve become less steep *throughout its length*, and here, there is no difficulty. The same would apply

under a wholesale renewal scheme. But under a renewal scheme covering only a part of the plant, and under an expansion development scheme, the marginal cost would tend to fall only after the capacity of the undisplaced plant had been exceeded. At any rate that is how it would appear.

We now have two categories of plant, old and new, the former less efficient than the latter. If, after the work had been carried out, we found it necessary to reduce output to meet a fall in the demand for the finished product, it would be the old and less efficient plant that would be thrown out of use, wholly or in part, so that in practice we have a position in which the lower marginal cost would apply to the lower rates of output and the higher marginal cost to the higher rates of output. In effect, the cost curve would rise upward to the right up to a point corresponding to the normal capacity of the new plant, and then it would abruptly become steeper.

No single total cost equation could satisfy a curve of this kind. If the slopes are otherwise linear, we have the position shown in fig. 5,

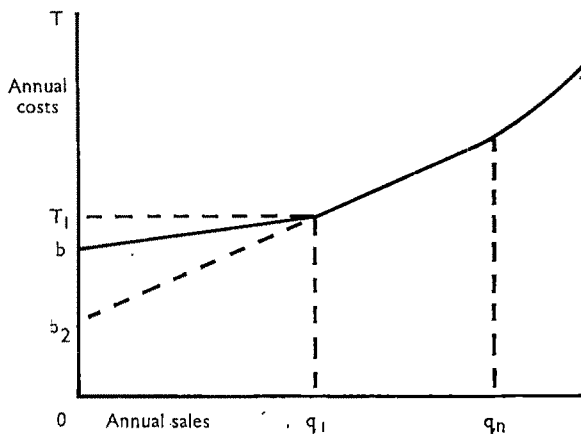


fig. 5.

where  $q_1$  is the normal capacity of the new plant, and  $b_2$  is a purely notional time element for use when calculating the total cost of outputs between  $q_1$  and  $q_n$ . The two cost equations are:

$$\text{For } q \leq q_1: \\ T = a_1 q + b \quad (2)$$

$$\text{For } q > q_1: \\ T = a_2 q + b_2 \quad (3)$$

where  $a_1$  and  $a_2$  are the lower and higher marginal costs, respectively.

The value of  $b_2$  can be obtained by using the equation:

$$b_2 = a_1 q_1 + b - a_2 q_1 \quad (4)$$

derived as follows:

The total cost,  $T_1$ , of producing  $q_1$  can be derived by either of the two equations (2) and (3). Thus:

$$\begin{aligned} T_1 &= a_1 q_1 + b \\ &= a_2 q_1 + b_2 \\ \therefore a_2 q_1 + b_2 - a_1 q_1 - b &= 0 \\ \therefore b_2 &= a_1 q_1 + b - a_2 q_1 \quad QED \end{aligned}$$

The method of differences described and demon-

strated above is a special application of the calculus of finite differences, a method or system which has long been known to mathematicians and statisticians.<sup>1</sup>

For our purpose, we first have to decide the model or form of relationship between total cost and output. Cost,  $T$ , and output,  $q$ , are the known quantities at different levels, and we have supposed the relationship to be linear. The unknowns are the marginal cost  $a$ , and the time element  $b$ . Two unknowns require two sets of data for their solution. If  $\Delta$  represents the finite difference, we have seen that:

$$a = \frac{\Delta T}{\Delta q} \quad (5)$$

that is:

$$a = \frac{T_2 - T_1}{q_2 - q_1} \quad (6)$$

Since:

$$\begin{aligned} T &= aq + b \\ b &= T - aq \end{aligned} \quad (7)$$

So that to calculate the value of  $b$ , the time element, we use

$$b = Ti - qi \left\{ \frac{\Delta T}{\Delta q} \right\} \quad (8)$$

<sup>1</sup> Vide my 'Correlation Analysis by Margins', *Journal of the American Statistical Association*, September 1942, and the papers referred to. This article describes a method of determining whether a non-linear curve is satisfied best by a quadratic equation or one of higher degree.

where subscript  $i$  denotes any corresponding values, such as  $T_1$  and  $q_1$  or  $T_2$  and  $q_2$ .

The method of finite differences can often be used where the cost/output relationship is non-linear, as for instance, where it is logarithmic or expressed in an equation of second or higher degree. For quadratics (second degree) three sets of data are required, for cubics four sets and so on. And for all non-linear relationships, the marginal cost is a variable equal to the differential coefficient, i.e.

$$\frac{dT}{dq}$$

However, the use of the calculus can be avoided by plotting the total cost curve and determining the slope of the tangent to the point on it where it is desired to calculate the marginal cost. For this purpose, the tangent would be regarded as the linear cost curve, two sets of readings taken from it, and the method of differences applied. If, for instance, the two sets of readings are  $T_1, q_1$  and  $T_2, q_2$ , the value of  $a$  would be calculated by applying equation (6) above. There would be no point in calculating the value of the notional time element.

(To be concluded.)

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## The Herd Basis

### PRACTICAL CONSIDERATIONS

by R. W. SMITH, O.B.E., T.D., F.C.A.

A CONSIDERABLE amount has been written on the herd basis since it made its appearance in the Finance Act, 1947, as an alternative means of dealing with the treatment of farm animals and other livestock in computing the taxable profits of farmers and other traders. Most of what has been put into print, both from official sources and elsewhere, is concerned largely with the legal and taxation aspects and does not dwell to any great extent on the practical difficulties and disadvantages which arise.

In the present article I must make it clear that I am bound to assume that the reader has an adequate knowledge of the detailed provisions of the legislation on the subject. If he has not I can do no better than recommend that if he wished to refer to the statutory provisions, he cannot do better than study the Inland Revenue pamphlet entitled *Notes on the Treatment of Livestock kept by Farmers and Other Traders* (No. 271). Although the explanatory note states that it has no binding force, it is nevertheless a very clear and concise exposition of the main provisions which superseded a concession established in 1942.

It is difficult to decide whether the scarcity of information on the practical application of the herd basis is due, as I suspect, to the relatively small proportion of taxpayers who have elected to apply for the herd basis of treatment, or whether it arises from the fact that those who have done so have subsequently discovered that the expected advantages have not turned out to be all that they had hoped. Certainly in my own experience this has been true. Only a very small fraction of breeders known to me have made the election; of those that have, only a minority have secured a benefit from the taxation point of view, and this includes those who have taken advantage of the retrospective claim arising as a result of compulsory slaughter.

If one were to seek some guiding principle it would be that in making a decision to adopt the herd basis, which can only now arise in acquiring a new herd (apart from the special case referred to in the preceding paragraph), there must be an overwhelming expectation that the herd will improve in reputation and quality to such an extent that its ultimate sale and disposal as a

whole will be almost certain to provide a substantial profit over the costs of 'creating' the herd.

However rosy the prospects of such an event may have appeared at the start, we must remember that the business of raising livestock – as in most farming enterprises – is a capricious affair, and unpredictable factors can upset the best laid plans. This was exemplified by the experience of many who, shortly after the herd basis made its appearance, undertook the business of breeding Landrace pigs. Herds of these animals, on which considerable costs were incurred, rose very rapidly in value but in due time suffered a decline to such an extent that on disposal losses occurred from which no tax relief could have been obtained unless treated on the normal 'trading stock' basis.

This example can be repeated in the light of after-acquired knowledge, for we must remember that when the herd basis was introduced in 1947 we were still suffering from the aftermath of war and its acute shortages which gave to the business of breeding an impetus which does not exist today to anything like the same extent.

It seems likely that the draftsmen responsible for the legislation foresaw that something like this might happen when they made the election not only irrevocable, but also provided that on the disposal of any production herd at least five years must elapse before it was possible to start the cycle all over again with a herd of the same class. Other problems have arisen from the fact that in cases where there might be more than one herd of the same class of animal they must all be dealt with in the same way.

From the accountant's point of view one of the greatest problems has always been the difficulty of dealing with the financial adjustments arising as a result of increases and replacements in the herd. Since only mature animals can be included in the herd, there has always been a problem in calculating the appropriate adjustments to be made for the cost of rearing, and Inspectors of Taxes have quite rightly been anxious to be convinced that the value at which such an animal is removed from the trading stock is realistic. A similar problem arises at the other end of the animal's life when it has to be replaced, and as almost inevitably happens, the replacement is not of identical quality to the one which it replaces.

Even with the very best of farm records, such transactions give rise to difficulty, but in those cases where the information and particularly the costings are not all that they might be, resort has to be had to negotiations which do not always lead to the best result for the taxpayer.

I have assumed in what I have already said that we are considering four-footed stock where identification is comparatively easy and the financial record not too difficult. However, when it comes to a question of dealing with poultry, possibly in very large numbers, the problems I have described become greatly increased and from my own experience I would advise avoidance, except in very rare cases of a highly-specialized activity such as the breeding of pedigree turkeys.

Compulsory slaughter for foot-and-mouth disease and fowl pest, although seemingly presenting an advantage to the breeder in cases where the compensation money is considerable, also carries the problems already referred to and may bring others in their train. It is very tempting for one who has suffered such a loss to take the short view that by electing for retrospective herd basis treatment he may ensure that part of what he receives as compensation will escape tax. But with his livelihood temporarily denied him he will be anxious to get back into production again and will then find that he is committed to the herd basis on replacement with even greater complications designed to ensure that he does not artificially reduce his trading profits on re-establishment of the herd.

It should perhaps be said in conclusion that the object of the herd basis is not to provide a means of avoiding the burden of taxation, but to give the breeder an opportunity of having his main production asset, his herd, treated as capital and not as trading stock. It is only natural, therefore, that in so far as there are additions to or disposals from such stock, the appropriate adjustments should be made in his trading account to put him on the same taxation basis as other traders. On the other hand, in accepting herd basis treatment he also accepts the normal business risk shared by other traders that fluctuations in the value of his capital assets are not treated as additions to or deductions from his taxable profits.

The accountant's task as adviser on this subject is by no means an easy one, and in very few instances will he be able to make an unqualified recommendation that his client should adopt the herd basis. In most cases the best he can do is to try and give a clear explanation of the way in which the statutory provisions work and what the disadvantages, as well as the probable advantages, are likely to be. Above all he must stress that if the election is to be made, the records that are to be kept must be capable of providing all the required information.



# Prospects for 1964

by SIR GEORGE BOLTON, K.C.M.G.

*An address given at a luncheon meeting of The London and District Society of Chartered Accountants, on January 29th*

THE dominant elements that face us this year are political as we approach two important elections in the United States and the United Kingdom. The administration of President Kennedy suffered from a major handicap in its inability to translate its programme into legislation. It has become increasingly difficult over the past few years for the United States Government, even when it has a majority in both Houses, to overcome the combined obstacles of the House Committees and the tendency for Congressmen and Senators to vote according to regional or personal prejudices rather than on party lines.

In fact, there are a number of observers who from time to time say that in their informed opinion the Government of the United States will inevitably grind to a total standstill. The new President, Lyndon Johnson, was at one time the undisputed leader of the Senate and the man most capable of forcing his party's legislation through that body. He then became Vice-President. All sorts of rude terms have been used about the Vice-Presidency of the United States, but it always has been a political limbo, and doubly so under a President of the stature of President Kennedy.

## President's Twin Problems

Lyndon Johnson is now faced with the twin problems of reasserting his authority over the two Houses and, like our own Prime Minister, of establishing his 'image' as the leader of the nation; and there is not much time available in which to do this. He is tackling this problem by swimming with the tide now running through Congress and Senate of cost consciousness – of concern over increasing Government expenditure; of preoccupation with the deficit in the balance of payments, and anxieties about the status of the dollar.

The President has declared his intention to reduce the Budget deficit by cutting down the estimates, and in this he is backed by that well-known accountant, Mr Macnamara. He has also requested the Senate to pass legislation cutting down personal and company taxes, and this now seems likely to be done. He has, of course, been prodded into action by the recent big cuts in the foreign aid authorizations made by Congress, and there is a threat that no funds will be authorized for foreign aid next year unless a thorough review is made of aid policy. (What I hope might be done is that they give up the attempt, which was bound to break down, of being friends with everybody, and of deciding to try and choose people who are likely to be their friends in adverse times.)

A combination of efforts to stimulate the economy – of an attack on the Budget and payments deficit to reduce foreign aid on the part of the United States is bound to affect the under-developed countries and

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American foreign policy. This may go a long way. It started off, I think, five years ago when the Americans began to lose gold and could not understand why anybody should think that there was a bottom to the American purse. They then found that the recipients of their aid and gifts were not very grateful. In fact, they found themselves criticized for not giving enough. They then found that their allies were not quite so firm in terms of the attempts to keep Communist areas under control – both Russia and China; and then, of course, they were disconcerted by the experience they had after the Cuban episode of 1962 when they found it possible to speak to the Russians – and since then they have been speaking. That is, Moscow and Washington have been speaking to each other at great length, and in terms which very rarely reach the Press.

So, I think the changes that are taking place in the American scene, of which we shall see the results this year, are the direct result of the slow improvement in American-Russian relations, and this will inevitably work itself out to agreement between Moscow and Washington about the North Atlantic Treaty Organization and the political problems of Europe.

## Effects of Commodity Price Changes

Now, I would like to move to something quite different which I believe is having an effect on international affairs – particularly in trade and finance. Commodity prices declined steadily over the last decade from the peak which they reached in 1951 as a result of the Second World War shortages and the stockpiling caused by the Korean War. One of the consequences of this decline in prices has been that the rate of economic growth of the majority of the primary producers slackened, and many countries experienced repeated balance of payments crises. During this period the highly industrialized countries prospered and the prices of manufactured goods steadily rose as the

trade unions exacted, without much resistance from the employers, higher rewards.

The deterioration in the terms of trade of the countries dependent upon the exports of primary products led them to try and diversify their economies, and they plunged headlong into industrial revolutions of one kind or another. This too hurried progress, combined with the mismanagement of monetary affairs and basic political instability led, in almost every case to severe inflation and ultimately to increased dependence on foreign aid.

### Recent Upward Trends

I think it will have been observed that since about August of last year commodities have risen to a level sufficient to wipe out the fall in prices that occurred over the previous decade. This rise was due, to a large extent, to the dramatic rise in prices of a small number of commodities, notably sugar and tin; but, very few have not been affected by the upward movement. I cannot be too comprehensive, but I believe only cotton and rubber have shown declines, and they were basically marginal. The only general factor which one can refer to is the technical reversal of the de-stocking movement that had taken place in 1961 and 1962. The spectacular rise in the price of sugar was undoubtedly initiated by the disastrous fall in the Cuban crop, but nevertheless there were weaknesses in the whole statistical appreciation of sugar which led to a situation in which big consumers – stores and so on – were under the illusion that you could eat statistics. If the stocks were not there – it made no difference what the statisticians said – we could not get any sugar.

The price of tin over the past few years has not been sufficiently high to encourage producers to invest in the very expensive machinery necessary to mine the low-grade deposits, and a permanent shortage of tin has now developed, the price rise only being moderated by releases from the United States stockpile. I do not want to make prophecies about prices, but I would have said that the price of tin is very much lower than it needs to be if mining companies are going to be encouraged to mine more tin.

### Soviet Weaknesses

Everyone knows what happened to the European harvest last year; and this revealed some of the weakness in Soviet Russia and China, where they not only suffered from the climatic problems, but the basic inefficiency of agriculture run by Socialist methods was revealed, and they are now entirely dependent on capitalist communities – Australia, Argentine, United States and Canada – to give an adequate ration to their peoples.

Coffee, too, has suffered from a number of natural disasters, particularly in Brazil where the crop was first frozen and then burnt. This has brought about the realization that the enormous coffee stockpile in Brazil, which has been broadly referred to as some forty million bags, in reality is less than half this amount – for the reason that the Brazilians like to take advantage of situations, and if the Bank of Brazil was simply turning out billions of cruzeiros to buy bags of coffee, why not produce bags of coffee?

I have referred to some of the special situations

and to one technical factor, namely, the position of stocks generally, but I think the main elements in the new situation which we face in 1964 are the combination of the increase in population (in some continents referred to as the 'population explosion') and the steady rise in the standard of living of a very large number of countries, in which one must include Russia and her satellites. This has occurred during a period of comprehensive decline of purchasing power of all paper currencies, seen at its worst in the East and in Latin American.

There has, quite naturally, over the last ten years been an inadequate investment in the production of raw materials; there are exceptions – in Europe, for instance, where high cost producers have been subsidized by their Governments. But I have the feeling that we may be on the threshold of a major change in the commodity situation, and in consequence a change in the relations between the primary producers and the industrialized countries.

### Inflation in Europe

Finally – a word about Europe, where I think the main danger now is inflation. One country after another is now taking steps to curb rising prices through various kinds of restraints, generally of a monetary nature. The most extensive restrictions that have been introduced so far have been in France and Switzerland. New measures are expected in Italy, and in the smaller countries – Belgium, Sweden and Holland – there have been warning increases in the official discount rates. Labour is scarce in the Common Market and they have now exhausted the reservoirs of East Germany and Italy, with consequent increasing pressure on wages.

The Germans are quite obviously worried about the possibility of inflation being imported into Germany from their friends in the Common Market, and I think there is every likelihood of increasing friction between General de Gaulle and Chancellor Erhardt.

### Britain's Advantageous Position

Now, I am one of the people – not in any way influenced by Lord Beaverbrook – who feel that Britain was fortunate in not joining the Common Market (in fact, I think we ought to put up a statue to President de Gaulle in Parliament Square) and I think we are at this moment relatively well placed to take advantage of the situation where – through the operation of the sterling system and the existence of the Commonwealth, however tenuous – we are indirectly both primary producers and a major factor in the industrial world.

We are witnessing America passing the peak of both her economic and political power; we have seen this tremendous rise in the economic capacity of Europe. We are also seeing what I believe to be one of the most momentous things – the return of Russia to Europe. I, therefore, totally reject the current gloom and depression which is largely fostered in an atmosphere contributed to by Members of Parliament, television, radio, and certain parts of the Press, where a large number of people are suckled on drama and excitement. I believe the young people in this country stand a better chance of a worth-while life than those of any other country in the world, and I might finish by saying that I think we might even survive a Labour Government.

# Weekly Notes

## THE INSTITUTE'S EXAMINATIONS

THERE were 4,684 candidates for the November 1963 examinations of The Institute of Chartered Accountants in England and Wales. Of 1,936 candidates for the Final examination, 944 (48.8 per cent) passed and 992 failed; in the May 1963 examination 797 (47.9 per cent) passed and 868 failed. The First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize, the William Quilter Prize, the O. C. Railton Prize for the year 1963 and the Plender Prizes for the papers on taxation (equal with three others) and auditing were all won by Mr Andrew John Duncan Ferguson, of London. The Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting were won by Mr Anthony Derek Francis Fitz-Gerald, also of London; and the Third Certificate of Merit and the Plender Prize for the paper on taxation (equal with three others) were won by Mr William Kay Murfitt, of Nelson, Lancs.

In the Intermediate examination, there were 2,570 candidates, of whom 1,215 (47.3 per cent) passed and 1,355 failed; in the May 1963 examination 1,043 (49.3 per cent) passed and 1,074 failed. The First Certificate of Merit, the Institute Prize, the Stephens Prize and the Plender Prize for the paper on General Commercial Knowledge were won by Mr Clive Anthony Parritt, of London.

In the Preliminary examination, 188 sat, of whom forty-eight (26.6 per cent) were successful and 140 failed; in the May 1963 examination fifty-five (27.8 per cent) were successful and 143 failed. A full list of successful candidates appears elsewhere in this issue.

## COUNCIL RESIGNATION

THE resignation of Mr Victor Walton, F.C.A., from the Council of The Institute of Chartered Accountants in England and Wales was received with regret at a meeting of the Council held on February 5th and reported elsewhere in this issue.

Mr Walton, who is senior partner in the firm of Victor Walton & Co, Chartered Accountants, of Leeds, was elected to the Council in October 1957. A member of the Examination Committee, the

Relations with Universities Committee and the Summer Course Committee at the time of his resignation, Mr Walton has also been a member of the Articled Clerks Committee, the Disciplinary Committee, the Taxation and Research Committee (of which he was one of the first members) and the taxation subcommittee. A specialist in taxation, Mr Walton has been a member of the Council of The Institute of Taxation since 1935 and was President of that Institute during the years 1944-47.

## ADVICE TO THE CHANCELLOR

IN their memorandum of recommendations to the Chancellor, the British National Committee of the International Chamber of Commerce aligns itself with other bodies on the view that the time has come for a review of the whole balance of direct and indirect taxation within the United Kingdom tax structure. They repeat the argument that fiscal systems which incline to indirect taxation are more likely to benefit exporters.

As is to be expected, the organization is concerned over the treatment of income from foreign sources, and only a radical change in the tax treatment of foreign incomes, such as the granting of tax exemption to all such income, would in its view meet the present anomalies and disparities between British and foreign systems. It further recommends the extension of the overseas trade corporation to exempt from tax, income received by United Kingdom parent companies from subsidiaries carrying on business and managed and controlled abroad. At the present time such relief is available only to parent companies with branches, but as the memorandum points out, it is often preferable to conduct overseas business through the medium of a subsidiary company with some foreign directors, rather than a branch.

The Chancellor's attention is drawn to the fact that relief in respect of foreign taxes paid on dividends received in this country is given only where a bilateral taxation agreement so provides, or unilateral provisions if there is no double taxation agreement. There is, however, some restriction of unilateral relief where minority interests are concerned. The I.C.C. stresses that such relief should be available for British companies going into Europe, where in many cases joint ventures are the most desirable form of trading, and the United Kingdom partner may control less than 50 per cent of the company.

The memorandum asks also for unilateral action to avoid the frustration of pioneer tax relief granted overseas, since in the I.C.C. view, section 17 of the Finance Act, 1961, which operates where double taxation agreements exist, has proved to be inadequate. In addition, the memorandum adds the proposal that the current-year basis of assessment should be adopted for all income assessable under Cases IV and V.

## WHAT IS AN 'ENDURING ADVANTAGE'?

THE Privy Council has dismissed a Revenue appeal arising out of the construction of section 13 of the Federation of Rhodesia and Nyasaland Income Tax Act, 1954. This section permits as a deduction, *inter alia*:

'expenditure . . . (not being expenditure of a capital nature) wholly and exclusively incurred by the taxpayer during the year of assessment for the purposes of his trade or in the production of income'.

Nchanga Consolidated Copper Mines Ltd (which we will call 'N.') was one of a group of three copper mining companies in Africa consisting of N., R. and B. which used a joint marketing agency, the copper being sold without distinction as to which mine it came from. Owing to world over-production the group agreed to reduce its joint production for one year by 10 per cent. It was decided that the best way to achieve this was for B. to go out of production for one year, and to be compensated by the other two. As a result, N. was able to increase its own production by 9,000 tons but had to pay £1,384,569 to B. The Commissioner of Taxes refused to allow the deduction of this sum, on the ground that it was capital expenditure. N. successfully appealed to the High Court of Southern Rhodesia and the Commissioner's appeal from that decision to the Federal Court was dismissed. He appealed accordingly to the Privy Council, but again his appeal has been dismissed.

Accepting that the payment brought N. an advantage, Lord Radcliffe said that this was not an enduring advantage of the kind which arose in *Atherton v. British Insulated & Helsby Cables* (4 A.T.C. 47). The payment was deductible.

ARGENTINE SUBSTITUTE TAX  
IS DEDUCTIBLE

THE Revenue have been worsted in the Court of Appeal in their attempt to upset the decision of Mr Justice Buckley in *Harrods (Buenos Aires) Ltd v. Taylor-Gooby* (42 A.T.C. 143). The company carries on a general store in Buenos Aires and claimed to deduct as an expense the 'substitute tax' levied on it at 1 per cent of its capital employed. As a company incorporated outside the Argentine, but having an *empresa estable* there, the company had no option but to pay the tax. Otherwise it was subject to sanctions which would have hampered it in the carrying on of its business.

The Special Commissioners had held that the tax was a 'personal' tax on the company and was payable out of its profits, and so was not deductible. Buckley, J., reversed their decision on the ground that the tax was paid in order to maintain the company in business, and it was not a tax like income tax or express profits tax. The Court of Appeal has now held that he was right, according to *The Financial Times* of February 4th.

Lord Justice Willmer said that the Crown's ingenious argument did not bear examination. Lords Justices Danckwerts and Diplock agreed. They refused leave to the Crown to appeal to the House of Lords.

## STOCK EXCHANGE FEDERATION

EXAMINATIONS for new Stock Exchange members, abolition of one-man firms, establishment of compensation funds, and common rules on applications for quotations and new dealing arrangements are amongst the proposals made in the second interim report of the Committee on the Co-ordination of the Stock Exchanges.

Candidates for membership will have to have a three-year training period with a member firm and will have to pass a federal examination. One-man firms must cease trading as such five years after the inception of the Federation and every member firm will be required to maintain 'free' capital at the rate of £5,000 for each partner.

Each federated exchange will establish a compensation fund on the basis of £200 for each member, a basis which will immediately provide funds of over £800,000. If those funds are exhausted by a default each federated exchange will be liable to contribute a further amount up to an equivalent of £1,000 per member.

A new issues panel will advise on new issue policy, but the decision to grant or refuse an application for quotation will rest with the committee to whom application is made. From a date ten years after the formation of the Federation, dual capacity (provincial firms operating both as jobber and broker) is to cease.

These proposals give form to the intentions outlined in the first interim report of the Committee and are on the lines anticipated when the original report was made.

Clearly the evolution of common practice through a Federation of the London Stock Exchange, the Associated Stock Exchanges and the Provincial Brokers' Stock Exchange is going to be a slow process, even when the Federation actually comes into being, and there is as yet no clear indication of timing of its inception.

## E.F.T.A. REVIEW

IT is unlikely that the current Geneva conference of the Ministers of the member countries of the European Free Trade Association will attract a great deal of publicity, important though it is for the formulation of future trade policy and the attitude to be taken in the coming Kennedy round of negotiations for the review of the General Agreement on Tariffs and Trade. The publication by the Association of the British Chambers of Commerce of a new report<sup>1</sup> on the present position and future prospects

<sup>1</sup> *The European Free Trade Association Today and Tomorrow*. Price 17s 6d.

of E.F.T.A. is therefore all the more to be welcomed, not least for the clear and comprehensive survey it provides of this important group.

Its authors recognize that E.F.T.A. was intended as no more than a transitional arrangement pending the broadening of the membership of the European Economic Community. However, with the current French attitude the prospects of an early merger of the two blocs seems remote and, for this reason, current co-operation between the two groups is of the utmost importance for both economic and political stability in Western Europe. The report notes the disparity in the trade balances between E.F.T.A. and the U.S.A. on the one hand and those between the E.E.C. and the U.S.A. on the other. It comments that the imbalance of U.S.A. and E.E.C. trade could redound to the advantage of E.F.T.A. if the Kennedy round discussions come to a satisfactory conclusion.

For any trader or business man interested in the potentialities of E.F.T.A., this report is well worth study for the light it throws on the current situation, problems and future prospects.

### TEACHERS' COCKTAIL PARTY

**P**UBLIC and grammar school head teachers and careers advisers, and youth employment officers in Greater London and the Home Counties, were entertained at a cocktail party by the London and District Society of Chartered Accountants in the Oak Hall at Moorgate Place on Wednesday of last week.

The guests were welcomed by the Chairman of the Society, Mr Norman Cassleton Elliott, M.A., F.C.A., who is seen in our picture (*right centre*) with (*left to right*) Messrs C. H. Scott and L. T. Archer, L.C.C. Youth Employment Officers; Mr G. F. Jones, of Owen's School, London EC1; and Messrs Peter Williamson and L. F. Sheppard, L.C.C. Youth Employment Officers.

London members of the Council of the Institute, with members of the Committee of the Society, were in attendance to converse with guests, and during the evening the Chairman briefly outlined the scope of the accountancy profession and the opportunities which existed for those of suitable capabilities and educational attainments who contemplated it as a career.

### RATING RELIEF

**O**NE of the major criticisms of the Government's Rating (Interim Relief) Bill was that there was no definition of 'hardship' to determine which ratepayers were entitled to remission of rates, nor any provision in the Bill for the Minister to lay down suitable criteria which 1,400 rating authorities could follow. It was freely conceded, even by the Minister of Housing and Local Government, that householders in similar circumstances but in different rating areas may thus fare differently in the matter of relief. A Ministry circular now issued to the rating authorities urges them to start considering their policy on this issue and offers suggestions as to how they should prepare themselves to meet the prospective applicants' requests for rates remission.

The circular makes two main suggestions. First, that some estimate of the number of potential applicants should be obtained from a scrutiny of the valuation lists, i.e. those whose 1964-65 rate demand is at least 25 per cent higher (or £5 if this is more than 25 per cent) than that for 1962-63, and then, in the light of their knowledge of local conditions, estimate the proportion of those householders likely to apply. The Ministry stresses the need for anonymity and suggests the use of code numbers for the applicants.

Accompanying the circular is a National Assistance Board leaflet setting out its basis for assistance. The circular refers to this leaflet solely as indicating the standards which the N.A.B. applies and it is not suggested directly that these scales of relief should be adopted by the rating authorities. It is presumably intended as a reminder to the latter bodies of the manner in which the term 'hardship' should be interpreted. The same comment applies to the quotation, reproduced in the circular, from the Minister's speech on the second reading of the Bill, to the effect that 'most of those who receive



remissions will be retired people, or other people on incomes that are above, but not so far above, the national assistance level and who cannot meet a steep increase in rates without denying themselves what have come to be regarded as necessities'. It will certainly be interesting to see how these provisions work and how public opinion reacts to the activities of the rating authorities once the scheme is in operation.

### ENDING WAR DAMAGE COMPENSATION

THE War Damage Bill has now been published. Its main objects are two: to bring to an end the existing scheme of war damage compensation in the War Damage Act, 1943, by prescribing time limits

for payments under that scheme, and to achieve economies in administration by transferring to the Inland Revenue the remaining functions of the War Damage Commission for making payments in respect of war damage to land and buildings and also the functions of the Board of Trade for making payments in respect of war damage to goods and chattels.

The Bill is to commence on October 1st, 1964, from which there will be a four-year time limit for claims for cost of work payments where war damage has been made good, and also for applications for determination of value payments where war damage has not been made good. When a further six years have elapsed after the first four years, outstanding claims and applications which have not been pursued will lapse.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 211

SOMETIMES even an accountant receives an unexpected bonus, though it may be a boost to his vanity rather than to his bank balance. I got one recently. I was listening to my thirteen-year-old talking to his contemporaries at home, and their discussion had centred on future careers. Choices ranged over the usual current categories – air-pilot, explorer, inventor, frogman, doctor . . . then my young hopeful spoke up stoutly: 'I want to be an accountant like Dad.'

Really, I got quite a kick hearing the remark. I wonder how many have had a similar experience. More important, how often have these boyhood aspirations crystallized into articles or registered studentship? A boy's way is the wind's way, and the thoughts of youth are long, long thoughts, as Longfellow said. How many generations of accountants can point to the father-to-son succession; how few to the third generation? Statistics would undoubtedly be of interest. My old school used to photograph occasionally a group of what was called 'the third generation'; the picture was always a point of friendly and appreciative interest.

Actually, I've been trying to encourage the boy's interest in the profession since then, though at his age it's not so easy. He's just gone into hospital for an operation (not too serious, *deo gratias*) but he'll have a long session in bed. So suitable reading matter is required. At thirteen he's just starting to move into

more adult literature, but there's not much to attract him towards accountancy. It's not long since his shelves had the usual load of picture books, ranging up to the traditional favourites about Biggles, Mowgli, Lancelot, Toad, William, Tarzan or White Fang. Now he's venturing into the vast world of new heroes like Allan Quatermain, Copperfield, Sherlock Holmes, Hopalong, Bones of the River. . . . A bit later there'll be D'Artagnan, Captain Blood, Beltane the Smith, and so on.

The problem, I find, ruminating on my own old favourites, is the dearth of financial or office types, let alone of accountants, to offer him. Indeed, I had picked out *Puck of Pook's Hill* as an obvious choice (no objection there, surely?) when I got a shock. Do you know that in that little masterpiece that three generations have loved, where invading Normans and Danes and Winged-Hats are recalled with warmth and appreciation, the only scoundrel is . . . the accountant? Yes, Gilbert – 'Who kept the accounts of the Manor of Pevensey' – traitor, thief, dog-hater . . . it's enough to have Kipling banned from our libraries for ever!

Shylock counting his ducats is outshone by the swaggering spendthrift gallants; and Yeats is no help when he asks:

'What need you, being come to sense,  
But fumble in a greasy till,  
And add the halfpence to the pence . . . ?'

So I turn, to redress the balance, to our old friend Samuel Pepys for the anecdote that deserves immortality. When the plague was ravaging London and even the bravest were daunted, his old colleague, Sir William Coventry, urged him to flee the city. Sam stayed; he answered the sailor as an accountant should – as perhaps many did unchronicled in a more recent devastation – 'You, sir, took your turn at the sword', he wrote, 'I must not therefore grudge to take mine at the pestilence.'

# Finance and Commerce

## Interest Equalization Reserve

THE accounts of Bowmaker Ltd, one of the big concerns in hire-purchase finance, provide the reprint this week. A particular point of interest is the appropriation of £200,000 to interest equalization reserve.

Sir John Cowley, the chairman, points out that in this type of business there is a vital factor over which the directors have no control: the rate the company has to pay for borrowed money. The reserve has therefore been started with £200,000. It will be added to, he says, when interest rates are low and the board will not hesitate to draw on the reserve at any time in the future when rates are unduly high. This, says Sir John, will help to counteract the effect on the company's profit of undue fluctuations of interest rates.

Bank rate, the basic regulator of the cost of money, has been 4 per cent since January 3rd, 1963 – quite a reasonable period of stability. Whether it will be 4 per cent for the remainder of 1964, no one can say. But for those who borrow money 'short' and lend it 'long' – even if 'long' be no longer than the term of a hire-purchase contract, a change in the cost of money can make all the difference to the profit and loss account, either one way or the other.

## The Banks

It is not just Bank rate, however, which makes the unknown horizon. One of the leading points in the clearing bank chairmen's statements this year has concerned the competition for money which the banks are having to face and the possibility that they may raise their deposit rates.

Mr Duncan Stirling, chairman of the Westminster Bank, shows how, in the years from 1951 to 1963, there was a 99 per cent increase in the gross national product, an increase of 73 per cent in currency in circulation and of 175 per cent in bank clearings. But clearing bank deposits were up only 29 per cent.

The inference, he says, is that relatively more transactions are being put through the banking system against a relatively smaller stock of money within it. And at the same time there has been a considerable growth in the volume of cash handled by the banks. It is not well enough appreciated, he says, what an enormous and costly service to banking customers and Government departments is provided by the bank clearing house in handling cheques, bills of exchange and other instruments of credit, and by bank branches up and down the country handling vast quantities of cash across their counters, amounting, in the case of the Westminster, to about £3,500 million a year.

## Too Small

Mr Stirling sets out the causes of the situation which is creating concern in the banks. The failure of bank deposits to rise in step with the gross national product is partly explained, he says, by trading concerns using their spare cash to buy Treasury bills; that is a clear withdrawal of money from the banking system.

Another cause – and here we enter Bowmaker territory – is the withdrawal of balances by the customers of the banks in order to lend them to hire-purchase companies, the local authorities, the merchant banks, and similar institutions. But, says Mr Stirling, since, broadly speaking, these concerns would not be bidding for money if they themselves already had a bank balance, what they borrow is used to reduce, or to avoid increasing, their bank overdrafts.

Therefore, although such operations do not technically withdraw money from the banking system, their effect is to leave the banks with lower deposits and lower advances whereas the banks' chief aim is to expand their business by attracting deposits and employing them profitably. The banks, he says, cannot be indifferent, in their own or in the national interest, to the possibility of their deposits being too small for financing customers' trade, which, he points out, is a fair proportion of the nation's trade.

## Higher Rates

Referring to 'the obvious suggestion that we should pay higher rates for money on deposit account', Mr Stirling states the problem is not so simple as it may seem. It is worth recalling some of the underlying facts, he says.

The London bankers' deposit rate is not fixed by an arbitrary or random decision but with close regard to the use that can be made of money lodged, which depends much on liquidity ratios and other controls imposed by the authorities.

If the banks' strong liquidity means anything at all to depositors, he says, it means that the banks are better able to meet their liabilities than those who are less liquid.

It is by no means clear what pool there is of new money that could be drawn into the banking system. The two main domestic sources are the Treasury bills held by trading concerns, as distinct from the money market, for the employment of their spare cash, and, secondly, currency in circulation. But it would hardly be realistic, he says, to pay so dearly for such balances that they incurred a loss on them. In any event, the overall amount of money is determined by Government policy and nothing the banks do will increase or diminish it.

Mr Stirling also makes the point that whatever the banks do, they still have to face the fact that undertakings which take deposits from them by paying higher rates still rely on the strong liquid position maintained by the banks in their times of need.

**BOWMAKER LIMITED AND SUBSIDIARY COMPANIES CONSOLIDATED BALANCE SHEET 31st OCTOBER, 1963**

[illegible]

To be read in conjunction with the notes on page [193].





## CITY NOTES

THE equity sections of the stock-market are finding it difficult to build a true rally on the shaky foundation of the largely technical improvement seen in prices in the past week or so. Business has fallen away and although selling has eased there is still no clear basis on which an argument for supporting the market at current levels can be established.

Meanwhile, in the fixed interest end of the market, conditions are sluggish with the Chancellor of the Exchequer's persistent emphasis on the dangers of inflationary pressure being translated into terms of eventually higher interest rates. Undated Government stocks are now on a full 6 per cent yield basis and 'out of equities into gilts' hardly seems a particularly worth-while operation under present circumstances.

Were it not for the continued heavy speculative interest in new issues, the Stock Exchange would be a decidedly dull place. There is still heavy over-subscription of new share offers and applicants who are lucky in the ballot for shares or who are not ruled out of offers by tender, invariably see a useful premium in early dealings.

There are a number of new offers ready for launching and new issue activity will be kept at a high level for some time.

AT a time when higher interest rates are in the air, Mr Alan Day, Reader in Economics at the London School of Economics, puts forward the case for Government financing on an equity basis. Writing in the current *Westminster Bank Review*, Mr Day suggests that Government securities might be issued, the rate of dividend on which would vary with the country's prosperity as measured by the gross national product.

Mr Day suggests that 'over a long period of years,

dividends on a national equity would rise faster than those on the most widely spread portfolio of ordinary equities'. By restricting borrowing to an 'unpopular sector' of the market, Mr Day considers that the Government is paying higher charges on debt than is necessary.

THE chairman of Second British Assets Trust, Mr Alistair Blair, has called this week for better reporting by British companies. The Trust holds shares in 101 British companies but only three of them - Shell, De La Rue and Borax - produce quarterly figures. Out of eighty-four trading and manufacturing companies in the Trust's portfolio, only thirty-two show turnover.

Mr Blair contrasts that experience with the fact that 90 per cent of the American companies in which the Trust holds shares provide quarterly figures of sales, profits and earnings per share. The minimum legal standards of company reporting laid down in the 1948 Companies Act are no longer sufficient in Mr Blair's opinion.

THE 'uneconomic' nature of small investment business is still criticized by some London stock-brokers, even though the Stock Exchange itself has become far more 'small investor minded' in the past few years.

Messrs Merrill, Lynch, Pierce, Fenner & Smith, the American brokers whose London branch is firmly established, have found that a high level of mechanization means that small investment deals can be undertaken profitably. Mr Sherman Gray, the firm's London vice-president, also commented this week on the favourable response to the firm's advertising campaign here. The London Stock Exchange still restricts advertising to a 'corporate' scheme.

## RATES AND PRICES

Closing prices, Wednesday, February 12th, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Foreign Exchanges			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%	New York	2.79 <sup>33</sup> / <sub>16</sub>	Frankfurt	11.11 <sup>5</sup> / <sub>8</sub>
July 26, 1961	7%	Mar. 22, 1962	5%	Montreal	3.02 <sup>1</sup> / <sub>16</sub>	Milan	174 <sup>1</sup> / <sub>2</sub>
Oct. 5, 1961	6½%	April 26, 1962	4½%	Amsterdam	10.09 <sup>1</sup> / <sub>8</sub>	Oslo	20.03 <sup>1</sup> / <sub>2</sub>
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Brussels	139.38	Paris	13.71 <sup>1</sup> / <sub>8</sub>
				Copenhagen	19.34 <sup>5</sup> / <sub>8</sub>	Zürich	12.11 <sup>1</sup> / <sub>8</sub>
Treasury Bills				Gilt-edged			
Dec. 6	£3 15s 4.58d%	Jan. 10	£3 14s 3.33d%	Consols 4%	65 <sup>11</sup> / <sub>16</sub>	Funding 3% 59-69	92 <sup>1</sup> / <sub>16</sub>
Dec. 13	£3 14s 8.89d%	Jan. 17	£3 14s 3.63d%	Consols 2½%	42 <sup>5</sup> / <sub>8</sub>	Savings 3% 60-70	87 <sup>1</sup> / <sub>16</sub>
Dec. 20	£3 14s 4.45d%	Jan. 24	£3 14s 3.81d%	Conversion 6% 1972	105 <sup>1</sup> / <sub>8</sub>	Savings 3% 65-75	80 <sup>1</sup> / <sub>16</sub>
Dec. 27	£3 14s 5.08d%	Jan. 31	£3 15s 2.01d%	Conversion 5½% 1974	100 <sup>1</sup> / <sub>16</sub>	Savings 2½% 64-67	93 <sup>1</sup> / <sub>16</sub>
Jan. 3	£3 14s 4.19d%	Feb. 7	£3 15s 5.97d%	Conversion 5% 1971	99 <sup>1</sup> / <sub>16</sub>	Treas. 5½% 2008-12	92 <sup>1</sup> / <sub>16</sub>
Money Rates				Conversion 3½% 1969	93 <sup>1</sup> / <sub>8</sub>	Treas. 5% 86-89	90 <sup>1</sup> / <sub>8</sub>
Day to day	2 <sup>3</sup> / <sub>8</sub> - 3 <sup>1</sup> / <sub>8</sub> %	Bank Bills		Conversion 3½%	58 <sup>1</sup> / <sub>16</sub>	Treas. 3½% 77-80	78 <sup>1</sup> / <sub>16</sub>
7 days	2 <sup>1</sup> / <sub>4</sub> - 3 <sup>1</sup> / <sub>8</sub> %	2 months	3 <sup>1</sup> / <sub>16</sub> - 3 <sup>3</sup> / <sub>16</sub> %	Funding 5½% 82-84	98	Treas. 3½% 79-81	77 <sup>1</sup> / <sub>16</sub>
Fine Trade Bills		3 months	3 <sup>1</sup> / <sub>16</sub> - 3 <sup>3</sup> / <sub>16</sub> %	Funding 4% 60-90	95	Treas. 2½%	42 <sup>5</sup> / <sub>8</sub>
3 months	5 - 5½%	4 months	3 <sup>1</sup> / <sub>16</sub> - 3 <sup>3</sup> / <sub>16</sub> %	Funding 3½% 99-04	65 <sup>1</sup> / <sub>16</sub>	Victory 4%	96
4 months	5 - 5½%	6 months	3 <sup>1</sup> / <sub>16</sub> - 4%	Funding 3% 66-68	92 <sup>1</sup> / <sub>16</sub>	War Loan 3½%	58 <sup>1</sup> / <sub>8</sub>
6 months	5 <sup>1</sup> / <sub>4</sub> - 6%						

# Current Law

## Limitation of Action: Acknowledgement of Claim

**GOOD v. Parry** ([1963] 2 All E.R. 59) was an action by a landlord against his tenant for arrears of rent over a period of some thirteen years. It was clear that the effect of section 2 of the Limitation Act, 1939, was to bar the claim in so far as it extended to rent which accrued due more than six years before the action was brought, unless the plaintiff could show that within those six years there had been an acknowledgement of the claim within section 23 (4) of the Act. Such an acknowledgement is required by section 24 to be in writing and signed by the person liable or his agent.

The tenant's son, who was her agent, in a letter to the plaintiff written within the six-year period, said: 'The question of outstanding rent can be settled as a separate agreement as soon as you present your account.' It was contended on behalf of the plaintiff that this was such an acknowledgement as to set time running again.

For the tenant it was argued that the sentence quoted meant 'there may be some rent outstanding and it can be made the subject of an agreement as soon as you present your account', and the Court of Appeal, accepting this argument and dismissing an appeal from the judge of the Bow County Court, held that there was no acknowledgement within the meaning of section 23 (4), because there was no admission of any rent of a defined amount due, or of any amount which could be ascertained by calculation. The amount was uncertain altogether. Nor could it be regarded as a promise to pay whatever amount might be found due on taking an account. The tenant clearly reserved the right to examine the account and not to be bound except by separate agreement.

## Floating Charge Becoming Fixed: No Set-off then Possible

**COMPANY A.** issued a debenture to a bank securing the company's overdraft by a floating charge on its assets. Company A. sold on credit to company B. goods to the value of about £95. The bank then, as debenture-holder, appointed a receiver and manager of the property comprised in the debenture. Thereafter company A., with the approval of the receiver and manager, sold to company B. further goods on credit to the value of £1,251 6s 1d. These goods had formed part of the assets of company A. at the date of the receiver's appointment, so that the floating charge had become attached to them.

Prior to these transactions company A. had bought goods on credit from company C., which was a subsidiary of the same parent company as company B., and in respect of these goods £852 18s 4d remained owing. Company C., after the sales on credit to company B., assigned to that company the

benefit of company A.'s debt and due notice of the assignment was given to company A. Company A. then sued company B. for £1,346 6s 1d (i.e. £95 + £1,251 6s 1d) and company B. sought to set-off the debt of £852 18s 4d.

In *N. W. Robbie & Co Ltd v. Witney Warehouse Co Ltd* ([1963] 3 All E.R. 613) the Court of Appeal (Sellers and Russell, L.JJ., Donovan, L.J. (as he was then) dissenting) held, reversing the decision of Widgery, J. ([1963] 2 All E.R. 199), that on the true construction of the debenture the debts owed by company B. to company A. became as they arose choses in action of company A. subject to an equitable charge in favour of the bank, and did so at a time when company B. had no cross-claim of any kind against company A. and consequently no right of set-off. There was no mutuality of beneficial interest at the first moment of assertion of set-off: the claimant was primarily the bank, while the cross-claim was against company B. alone. It followed that company A. was entitled to succeed in its claim for £1,346 6s 1d. Leave was given to appeal to the House of Lords.

## Building Society: Notice of Meeting

**SUBSECTION (1)** of section 35 of the Building Societies Act, 1960, requires that notice of any meeting of a building society at which a special resolution is to be proposed is to be sent to every member qualified to vote, and subsection (2) that, subject to this requirement, notice of any meeting is to be sent to every member, except that, subject to the rules of the society, notice need not be sent to a member not holding shares to a value of £25. Subsection (3) provides that the accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

The rules of the R. Society provided that all members, including holders of uncompleted shares (i.e. shares on which less than £10 had been paid), were entitled to notice of all meetings of the society, and holders of completed shares (but not, it seemed, holders of uncompleted shares) were qualified to vote thereat. A notice of a special meeting of the society for the purpose of passing certain resolutions as special resolutions was sent only to the holders of completed shares.

In *Royal Mutual Benefit Building Society v. Sharman & Others* ([1963] 2 All E.R. 242) Plowman, J., held that on the rules of the society all members, whether they held completed shares or uncompleted shares, were entitled to notices of meetings. The rules were not affected by subsection (2) of section 35 of the Act, which applied subject to the rules, and was not overridden by subsection (1), which was an enlarging and not a restricting provision. As the failure to give notice was not accidental (within subsection (3)), the meeting was invalidly held and the resolutions moved thereat not properly passed.

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed*

## Current Accounts

SIR, — In his article published in your issue of February 1st, Mr J. C. Bracher, F.C.A., proposed, in effect, that, where profits are insufficient, 'cumulative depreciation deficiencies' are to be appropriated out of 'free reserves' or set off against the 'capital appreciation reserve' (being the excess of estimated replacement cost over historical cost of fixed assets which has occurred as a result of the diminution of the purchasing power of the £).

This suggestion, in my opinion, defeats the main purpose of Mr Bracher's exercise on two counts:

*Firstly:* The 'accumulated depreciation' actually charged to profits will not be sufficient to finance the replacement of the asset in due course (see Table I below).

*Secondly:* Under these circumstances, the 'shareholders' equity' — as far as it is represented by the

capital plus capital appreciation reserve only — will not match its 'real value' on a replacement cost basis, and the 'capital fabric' will *not* be maintained. To appreciate this point it is better to assume that no other reserves exist (see Table II below).

To illustrate and prove my points, I have completed Mr Bracher's exercise, on the same example he used, assuming that 3 per cent inflation continued to occur in each year. The results are given in the accompanying two tables. The same argument can also be illustrated and proved by ledger accounts.

Where the 'depreciation deficiency' is set off against the 'capital appreciation reserve' — or appropriated out of 'free reserves' if any exist — the exercise proposed by Mr Bracher will be nothing more than book entries. Unless such deficiency is charged to current profits, the financial condition of the business will not be strengthened either in reality or even in appearance as presented in the balance sheet. In this case the exercise is futile. It is only valid when the profits are sufficient.

Yours faithfully,

M. H. B. ABD EL-MOTAAL,  
B.COM., M.COM., A.C.A.,  
Lecturer in Accounting,  
UNIVERSITY OF DUBLIN.

Dublin 2.

TABLE I: CUMULATIVE DEPRECIATION

	Year 7		Year 8		Year 9		Year 10	
	£	£	£	£	£	£	£	£
Estimated replacement cost, January 1st .. .. .		1,000		1,030		1,060		1,090
Depreciation thereon 10% p.a. — straight line)								
Brought forward .. ..	600		700		824		954	
Charge for the year .. ..	100		103		106		109	
Deficiency adjustment .. ..	—		21		24		27	
	— 700—70%		— 824—80%		— 954—90%		— 1,090—100%	
Depreciated replacement cost, December 31st .. .. .	<u>£300</u>		<u>£206</u>		<u>£106</u>		<u>Nil</u>	
Cumulative depreciation charged to profits December 31st .. .. .	£700		£803		£909		£1,018*	

\*Note that this total (£1,018) is £72 less than the £1,090 (being replacement cost of asset at end of Year 10).

TABLE II: SHAREHOLDERS' EQUITY

	Year 8		Year 9		Year 10	
	£	£	£	£	£	£
Capital (assumed) — December 31st .. .. .		1,000		1,000		1,000
Capital appreciation reserve:						
Brought forward — January 1st .. .. .	Nil		9		15	
<i>Plus:</i> Amount transferred on December 31st .. .. .	30		30		30	
	30		39		45	
<i>Less:</i> Depreciation deficiency adjustment — December 31st .. .. .	21		24		27	
	—	9	—	15	—	18
Shareholders' equity — December 31st* (assuming there are no other reserves) .. .. .	<u>£1,009</u>		<u>£1,015</u>		<u>£1,018</u>	

\*Note that the shareholders' equity is always less than the estimated replacement cost of the asset.

**Specialists' Role in Mergers**

SIR, – I have read with interest the note in your issue of February 8th concerning a booklet on the specialists' role in mergers. I would agree with the need for the advice of specialists.

Many practising accountants are well equipped to advise in these matters and in fact are regularly doing so, alone or in co-operation with other specialists.

If, however, a chartered or certified accountant were to publish under his own or his firm's name a booklet such as that reviewed by you, he might expect to find himself the subject of disciplinary proceedings. It seems to me that the accountancy bodies whose members are forbidden to advertise can reasonably expect their professional papers to refrain from publicizing others who are offering services in direct competition with them.

Yours faithfully,  
GENERAL PRACTITIONER.

[We would have thought it was serving the interests of the profession to put practitioners 'on notice' of literature emanating from other quarters. Competition is not cured by hiding from it. – *Editor.*]

**Diploma in Management Accounting**

SIR, – I was somewhat surprised to read your editorial comment under the heading 'Joint venture' in your issue of January 25th.

Whilst you applaud the example of co-operation by the various accountancy bodies – and rightly so – you feel that the professional accountant and auditor should be perfectly capable of 'tackling any task which is likely to come his way, either in professional practice or in industry'. Or rather, you complain that is precisely what the qualified accountant has been assured by generations of councils and after-dinner spokesmen.

You then go on to deplore the growing tendency to specialize in various fields of accountancy and quote taxation as the next and obvious step in this absurd process – all designed to reduce the status of the Final examination.

The professional accountancy bodies should have faced up long ago to the hard if unpalatable fact that the Final examination is merely equivalent to the M.B., Ch.B. of medicine and that specialization thereafter is not only desirable but absolutely necessary if the profession is to keep pace with modern progress and not lose out to the management engineers and time and motion study men in the field of management accounting and to the lawyers in the field of taxation.

It is significant, surely, that Mr W. Bishop, C.A., F.C.W.A., should have found it necessary to remark in his presidential address to The Institute of Cost and Works Accountants, delivered on May 17th, 1963, that:

'It has sometimes been suggested that the pro-

fessional accountant and auditor should be prepared to extend his services into accountancy for management purposes. It will be clear from what I have said that in a business of any size *there is no alternative to the services of an accountant with the knowledge and industrial experience in which this Institute specializes.*'

It is most refreshing to see the Chartered Institutes and the Association squarely facing up to this fact and the forward and enlightened thinking by their various councils is to be warmly applauded.

Yours truly,  
FREDERICK G. BEARD,  
B.COM., C.A.(S.A.), F.A.C.C.A., F.C.W.A.

*Johannesburg, South Africa.*

SIR, – I am sure that many chartered accountants will welcome your editorial under the heading of 'Joint venture'. My own reaction to the announcement from the joint accounting bodies was very similar. In the eyes of the public a chartered accountant is a trained accountant. It is evidence that the person concerned has got sufficient intelligence to reach a certain standard of proficiency in an examination and that he has received sound basic practical training. It will not do to confuse the issue by bringing in variations on the theme. I have believed for a number of years that more emphasis is needed on management accounting, but surely the correct way to do this is by stiffening the Final examination.

For those of us who have made our careers in commerce, the most important aid to our future progress has always been our experience, and the way we apply that experience, rather than the basic examination. Of course, the examination and training was useful as a means of getting our first industrial post, but I am sure that those other chartered accountants who are responsible for employing qualified staff will agree with me that after the initial industrial appointment it is the quality and type of experience that counts most when selecting suitable candidates for the more senior financial positions.

Finally, therefore, will this new diploma achieve a useful objective? I agree with you that the minimum age of 31 would seem to be too high. After this age most chartered accountants in commerce are fully occupied with their jobs, and probably also have wives and families and are unlikely to concern themselves with further qualifications. Of course, there will always be a few who can find the time, and I wish them every success, but surely it is the majority of chartered accountants to whom we should be looking if we are to improve standards. I say again, the scope of the Final examination should be widened.

Yours faithfully,  
P. J. ELLICOTT, A.C.A.

*Rushden, Northants.*

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, February 5th, 1964, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr Robert P. Winter, C.B.E., M.C., T.D., President, in the chair; Mr W. Guy Densem, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, J. H. Bell, C. J. M. Bennett, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Gault, P. F. Granger, J. S. Heaton, J. A. Jackson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley, C.B.E.

### Resignation from the Council

The Council received with much regret the resignation of Mr Victor Walton, F.C.A., Leeds, of his membership of the Council. Mr Walton had been a member of the Council since 1957.

### Electronic Data Processing Residential Courses

The Chairman of the Parliamentary and Law Committee reported orally on proceedings at the experimental course on electronic data processing held at the Alexandra Hotel, St Leonards-on-Sea, from January 26th to January 31st, 1964. Letters of appreciation are to be sent to the National Coal Board, who made the services of Mr D. W. Hooper, M.A., F.C.A., available; to Mr Hooper, who acted as director of studies for the course, and others concerned with it.

The Council authorized arrangements to be made for residential courses for members on electronic data processing to be held in May 1964. A notice giving preliminary details of the courses will be distributed to all members of the Institute.

### Summer Courses - Christ Church and Oriel College, Oxford, July 9th to 14th, 1964, and Emmanuel College, Cambridge, September 9th to 13th, 1964

The Council authorized the distribution to all members of the Institute of a notice giving preliminary details of the summer courses to be held at Christ Church and Oriel College, Oxford, July 9th to 14th, 1964, and Emmanuel College, Cambridge, September 9th to 13th, 1964.

The subjects and speakers at the Oxford Course will be, in the order listed:

'The role of the accountant in management consultancy - practical problems today and tomorrow's

developments' - Mr L. W. Shaw, B.Sc., F.C.A. (Price Waterhouse & Co).

'The changing pattern of auditing with particular reference to private companies' - Mr G. N. Hunter, J.P., F.C.A. (Theodore B. Jones & Co).

'Accounting information - an essential aid to efficiency in the medium-sized business' - Mr R. Edwardes, F.C.A. (Director and Secretary, Electro-Hydraulics Ltd).

There will be informal talks on Sunday by Sir Robert Shone, C.B.E., Director General, The National Economic Development Council, and by Mr J. Hopkins, from The National Institute of Industrial Psychology, on the subject of 'Personnel selection'.

The subjects and speakers at the Cambridge Course will be, in the order listed:

'Estate duty planning' - Mr K. G. M. Harding, B.A., F.C.A. (Harmood Banner, Cash, Stone & Mounsey).

'An investor's view of company accounts' - Mr D. Napper, F.C.A. (Industrial & Commercial Finance Corporation).

'O. & M. for the smaller client' - Mr J. G. Simpkins, F.C.A. (Nevill, Hovey, Smith & Co).

### Institut der Wirtschaftsprüfer in Deutschland e.V.

The Council received a report on the attendance by Mr S. John Pears and Mr G. B. Pollard in Munich on January 30th and 31st, 1964, as representatives of the Institute at the Fachtagung of the Institut der Wirtschaftsprüfer in Deutschland e.V.

### U.E.C.

It was reported to the Council that a meeting of the Assembly of Delegates of the Union Européenne des Experts Comptables Économiques et Financiers had been held in Munich on February 1st, 1964, when the four delegates of the Institute were Sir Thomas Robson, Mr S. John Pears, Mr G. B. Pollard and Mr F. M. Wilkinson.

### Festival of the City of London

The President has accepted an invitation from the Lord Mayor of London to become a member of the Council for the Festival of the City of London, 1964.

### United Kingdom Advisory Council on Education for Management

The appointment of Mr W. W. Fea, who has already served as the Institute's representative on the United Kingdom Advisory Council on Education for Manage-

ment for the past three years, has been extended by a further year from January 1st, 1964.

### Appointment to Committee

The Council approved the co-option of Mr C. V. Best to membership of the Articled Clerks Committee.

### Examination Results - November 1963

The results of the examinations held in November 1963, were as follows:

		Passed	Failed	Total
Preliminary	.. ..	48	140	188
Intermediate	.. ..	1,215	1,355	2,570
Final	.. ..	944	992	1,936
		<u>2,207</u>	<u>2,487</u>	<u>4,694</u>

The names of the successful candidates and the recipients of prizes and certificates of merit are published as a supplement to this issue.

### Registration of Articles

The Secretary reported the registration of 288 articles of clerkship during January 1964.

### The P. D. Leake Trust

The Council approved for publication the accounts of the P. D. Leake Trust for the year to October 31st, 1963, a report on the administration of the trust and a report of the P. D. Leake Committee. A booklet containing these reports and accounts may be obtained without charge on application to the offices of the Institute by any interested person. (It is expected that copies will be available in the latter part of February 1964.)

### Admissions to Membership

The following were admitted to membership of the Institute:

Afzal, Mohammed, A.C.A., 1964; 32 Church Crescent, Muswell Hill, London N10  
 Crisp, Peter David Calvert, A.C.A., 1964; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, EC2.  
 Gobat, Anthony Theodore, A.C.A., 1964; 46 Lancaster Mews, London W2.

### Fellowship

The Council acceded to applications from twenty-four associates to become fellows under clause 6 of the supplemental Royal Charter.

### Incorporated Accountant Member becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

Thompson, Graham Leonard, A.S.A.A., 1958; 7 Southland Road, Stoneygate, Leicester.

### F.S.A.A.

The Council acceded to an application from an incorporated accountant member A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Armstrong, David Gerald, A.C.A., 1959; Prideaux, Frere, Brown & Co, 12 Old Square, Lincoln's Inn, London WC2; also at Croydon, Boden, Swaysland & Co.  
 Atkinson, John, A.C.A., 1958; Sansom, Bell & Co, 7 Victoria Road, Darlington, and at Richmond, Yorks.  
 Bamford, David Malcolm, A.C.A., 1962; Wm. Wrigley & Son, 18 Clegg Street, Oldham.  
 Barnes, Clive Leslie, A.C.A., 1962; H. L. Barnes & Son, Martins Bank Chambers, Stratford upon Avon, and at Coventry.  
 Barrington, John Andrew Cecil, A.C.A., 1963; B. Davis & Co, 59 Sloane Street, London SW1, and at Shepperton.  
 Beeley, Anthony Francis Mycroft, A.C.A., 1959; †Binder, Hamlyn & Co, 121 Queen Victoria Street, London EC4.  
 §Bell, John Gordon, A.S.A.A., 1961; ††Alexander, MacLennan, Trundell & Co, Sadler House, Sadler Street, (P.O. Box 1968), Nairobi, Kenya, and at Mombasa.  
 Bentall, John Anthony Charles, B.A., A.C.A., 1956; Viney, Price & Goodyear, Empire House, St Martin's-le-Grand, London EC1.  
 Berger, Michael Kenneth, A.C.A., 1959; \*Kano, Creed & Co, and Michael Berger & Co, 47 Oxford Street, London W1; and at Guildford.  
 Bicknell, Christopher Guy, A.C.A., 1962; Sturges, Fraser, Cave & Co, Midland Bank Chambers, 43 Market Place, Kingston upon Thames, Surrey; and at Godalming, London and New Malden.  
 Birchall, Arthur George Horace, A.C.A., 1956; 82 Addiscombe Court Road, East Croydon, Surrey.  
 §Biswas, Chittaranjan, A.S.A.A., 1961; \*R. Saha & Co, 8-2 Hastings Street, Calcutta 1, India.  
 Brass, Brian David, A.C.A., 1955; Roth, Manby & Co, 78 Brook Street, London W1.  
 Clough, John, A.C.A., 1959; Bristow & Co, 1528-34 London Road, Leigh-on-Sea, Essex; and at London.  
 Collins, Ian Roger, A.C.A., 1959; Sissons, Platt & Co, 'Broome Cliffe', 9 Broomhall Road, Sheffield 10.  
 Comer, Philip Allen, F.C.A., 1951; Eggleton, Cowcher, Whitaker & Co, 1-3 Whitfield Street, Gloucester.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Cooper, John Neville, A.C.A., 1962; J. W. Demaine & Co, Westminster Bank Chambers, 25 High Street, Colchester, Essex.
- Cooper-Parry, Robin George, F.C.A., 1953; Bryn Owen, Potter & Co, 22 Iron Gate, Derby.
- Cox, John Stanley, A.C.A., 1962; Stanley W. Cox & Co, 20 Dingwall Avenue, Croydon, Surrey.
- Coxon, Peter James Edward, A.C.A., 1962; J. R. Robb & Co, 4 Sterling Buildings, The Carfax, Horsham, Sussex.
- Crawford, Donald Percival, F.C.A., 1948; \*C. Shenton & Co, Grosvenor House, 104 Watergate Street, Chester, and at Frodsham.
- Dale, Grahame Jeffray Gosnay, A.C.A., 1960; Appleyard, Squires & Co, Lloyds Bank Chambers, Market Place, Dewsbury.
- Dawson, Michael Walter, A.C.A., 1958; Saffery, Sons & Co, Garrard House, Gresham Street, London EC2, and at Margate.
- Dunkley, Norman Frederick, A.C.A., 1958; Dutton & Co, 6 Spencer Parade, Northampton.
- Ermin, Stephen Paul, A.C.A., 1962; Roth, Manby & Co, 78 Brook Street, London W1.
- Fletcher, Giles, A.C.A., 1961; Fletcher, Fletcher & Layton, 2 Crown Chambers, Salisbury, Wilts.
- Forster, John Michael, B.COM., A.C.A., 1962; †Hays, Akers & Hays, 30 Cursitor Street, Chancery Lane, London EC4.
- Goate, Christopher George Cubitt, A.C.A., 1959; \*Edwin Smith & Co, 34 Queens Road, Reading.
- Gore, Nigel Martin, B.A., A.C.A., 1963; Percy Gore & Co, 18 Cecil Square, Margate, and at Ramsgate.
- Gray, Philip Graham Walter, A.C.A., 1961; Baber, Owen & Co, 18 Baldwin Street, Bristol 1.
- Hall, John Marshall, F.C.A., 1952; Bryn Owen, Potter & Co, 22 Iron Gate, Derby.
- Harrison, Michael Alan Brian, B.A., A.C.A., 1961; Harrison, Son, Hill & Co, Charter House, 52 Gloucester Place, London W1.
- Hill, Roger Arthur, A.C.A., 1956; J. H. Champness, Corderoy, Beesley & Co, 10 St Swithin's Lane, London EC4, and 9 Cavendish Square, London W1.
- Hipps, Paul Anthony, A.C.A., 1958; Stoy, Hayward & Co, 97 and 99 Park Street, and 12-16 Wood Mews, London W1; also at Manchester.
- Innes, James Buckley, A.C.A., 1961; 'Templewood', South Park, Gerrards Cross, Bucks.
- Johnson, David Richard, A.C.A., 1962; Willcox & Co, La Motte Chambers, St Helier, Jersey C.I.
- King, Christopher Paul, A.C.A., 1961; Agar, Bates, Neal & Co, and Agar, Bates, Neal, King & Co, 106 Edmund Street, Birmingham 3.
- Kramer, Paul Harold, A.C.A., 1963; Kramer & Co, 30 City Road, London EC1.
- Lambert, John Ewart, A.C.A., 1959; Attlee, Edge & Lambert, 163 Hamstead Road, Handsworth, Birmingham 20.
- Macartney, Michael Ross, F.C.A., 1939; P.O. Box 2175, Kuala Lumpur, Federation of Malaysia.
- Malkinson, Eric, B.COM., A.C.A., 1954; Lewis, Bloom & Co, 13 Harley Street, Cavendish Square, London W1.
- Martin, Richard John, A.C.A., 1958; Tudor House, Bridge Street, Walsall.
- Merchant, Ebrahim Alimahomed, A.C.A., 1960; †Ford, Rhodes, Robson, Morrow, Mehta Lodge, Victoria Road (P.O. Box 7361), Karachi, Pakistan, and at Dacca and Lahore.
- Moorhead, Patrick Denton, F.C.A., 1951; Yew Tree, Staplefield, Haywards Heath, Sussex.
- Newman, Harold Eric, F.C.A., 1952; Fletcher, Fletcher & Layton, 2 Crown Chambers, Bridge Street, Salisbury, Wilts.
- Norris, Robert George, A.C.A., 1961; Knowles & Barron, 51 Southgate Street, Winchester.
- Paine, Geoffrey Alan, A.C.A., 1960; Wenn, Townsend & Co, 30 St Giles', Oxford, and at Abingdon and Cirencester.
- Pearce, Albert Henry, A.C.A., 1959; Lodge & Winter, Midland Bank Chambers, Falmouth.
- Pike, Lawrence Ivor, F.C.A., 1952; L. I. Pike & Co, 'Milne', The Mount, Noak Hill, Romford, Essex.
- Poncia, Edmund Anthony, A.C.A., 1960; Agar, Bates, Neal & Co, and Agar Bates, Neal, King & Co, 106, Edmund Street, Birmingham 3.
- Prozzer, Norman Terry, A.C.A., 1963; 58 Chadworth House, Amwell Court, Green Lanes, London N4.
- Rawlinson, Keith Burton, A.C.A., 1958; Pitt & Co, 105 Princess Street, Manchester 1, and at Bolton.
- Reid, Alfred George, F.C.A., 1936; Dutton & Co, 6 Spencer Parade, Northampton.
- Robinson, Graham, A.C.A., 1959; Mills & Black, Derwent House, Matlock, Derbyshire, and at Bakewell, Buxton, Chesterfield and Wirksworth.
- Robson, Denis Anthony, A.C.A., 1955; John Adamson, Son & Co, 1 Chancery Place, Booth Street, Manchester 2; also at Bolton, James Carter & Sons.
- Rose, Dennis William, A.C.A., 1963; E. Clarke Williams, Midland Bank Chambers, High Street, and 41 William Street, Herne Bay, and at Whitstable.
- Salmon, Rupert Edward Fitzjohn, A.C.A., 1960; H. T. Salmon & Co, 133 Aldersgate Street, London EC1.
- Salt, Alan Charles, A.C.A., 1961; H. Waissen Wilson & Co, 20 Copthall Avenue, London EC2; also at Brighton, Wilson, Holmes & Co, and Spalding, Chapman, Prince & Co.
- Sanders, Paul Thomas Dexter, A.C.A., 1960; Thornton Baker & Co, 119-121 Midland Road, Wellingborough, Northants; for other towns see Thornton Baker & Co.
- Saunders, Stanley Leo, A.C.A., 1960; Stanley Saunders & Co, 17 Wilson Street, London EC2, and Cooper, Saunders & Co, 41A Walm Lane, London NW2.
- Shoaib, Hassan, A.C.A., 1957; †A. F. Ferguson & Co, Writers Chambers, Dunolly Road (P.O. Box 4716), Karachi 2, Pakistan, and at Chittagong, Dacca, Lahore and Rawalpindi.
- Simmons, Stuart, A.C.A., 1963; Stuart Simmons & Co, Portland House, 73 Basinghall Street, London EC2.
- Smart, Alan George, F.C.A., 1952; Stafford Rudkin & Co, 6-8 Clement's Lane, Lombard Street, London EC4.
- Smith, Andrew Whitehead Hall, A.C.A., 1963; Harold Smith & Son, 3 Clwyd Street, Rhyl, and at Prestatyn.
- Smithers, Bryan John, A.C.A., 1962; Bryan J. Smithers & Co, 'Crossways', Greenlands Road, Kemsing, Sevenoaks, Kent.
- Snelgar, Eric Frank, F.C.A., 1947; Edward Knapper & Co, 10 Bridge Street, Christchurch, Hants.
- Thompson, James Raymond, A.C.A., 1960; Edward Thomas Peirson & Sons, 13 Eaton Road, Coventry, and at London and Market Harborough.
- Tinker, Alan, A.C.A., 1960; Percy Mason & Co, 32 Queen Anne Street, London W1.
- Yendle, Anthony, A.C.A., 1959; A. Hughes Jones, Dyson & Co, 6 Market Street, Caernarvon.
- Young, Gordon John, A.C.A., 1957; Harvey Preen & Co, and Arthur D. Saward & Co, Lawrence House, 3 Trump Street, London EC2.

#### Admission to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.



**Re-admission to Membership**

Subject to payment of the amounts required by the Council, one former member of the Institute was re-admitted to membership under clause 23 of the supplemental Royal Charter. One application under clause 23 was refused.

**Change of Name**

The Secretary reported that the following changes of name have been made in the Institute's records:

Dawson, Michael to Dawson, Michael Walter.  
Smith, Donald Ferguson to Ferguson, Donald Ferguson.  
Stillitz, Gerald Barry to Stillit, Gerald Barry.

**Resignations**

The Council accepted the resignations from membership of the Institute of:

Appleyard, Percy, F.C.A., aS1921; 35 Bedford Street, Oxford.  
Atherton, Robert, F.C.A., a1933; 35 Mere Road, Blackpool.  
Bannatyne, Dugald Swanwick, B.A., F.C.A., a1948; Cobbles Meadow, Selling, near Faversham, Kent.  
Blagg, Donald, F.C.A., a1936; 'Silver Birch', 28 Andrew Lane, Bolton.  
Brennan, Richard Patrick, F.C.A., a1953; The Market Garden, Newstead Road, Marlborough, Salisbury, Southern Rhodesia.  
Chandler, Thomas Sidney, F.C.A., a1926; 'Treetops', Whitegates Lane, Earley, Reading.  
Coles, Kaines Adlard, M.A., F.C.A., a1927; 7 Brunswick Place, Southampton.  
Cording, Christopher, F.C.A., aS1921; 124 Cromwell Road, St Andrews Park, Bristol 6.  
Daniel, Frank George Philip, F.C.A., a1936; 38 The Lindens, Harborne, Birmingham 32.  
Davey, Edward Seville, F.C.A., aS1929; 46 Balmoral Road, Salisbury, Wilts.  
§Davies, David James, F.S.A.A., aS1936; 49 Dukes Avenue, Theydon Bois, Epping, Essex.  
Dean, John Wilfred, F.C.A., aS1928; 'Fayrhaven', Shaw Line Gardens, Guiseley, Yorks.  
Elles-Hill, Woodford John, A.C.A., a1962; Officers' Mess, R.A.F. Bassingbourn, near Royston, Herts.  
§Evanson, Ernest, F.S.A.A., aS1923; 5 Mallard Close, Fondtail Road, Horsham, Sussex.  
Ferris-Scott, Leicester, F.C.A., a1909; 1 Faraday Avenue, Rose Bay, Sydney, New South Wales, Australia.  
Gadsby, Clements, F.C.A., a1904; 25 Burton Street, Loughborough, Leics.  
Glanfield, Norman, John, F.C.A., a1927; 35 The Drive, Esher, Surrey.  
Grant, Edward Haydn, F.C.A., a1932; 14 Sunningdale Court, Jupp's Lane, Goring-by-Sea, Sussex.  
Haslett, Leslie Woods, F.C.A., a1924; Webb & Knapp Ltd, The Royal Bank of Canada Building, Place Ville Marie, Montreal 2, P.Q.  
Hay, Ronald Johnstone, B.Sc.(ECON), F.C.A., a1922; P.O. Box 122, Levin, New Zealand.  
Johns, Henry Norton, F.C.A., a1935; Johns & Son Ltd, Tybridge Street, Worcester.  
Lewis, Thomas Holford, F.C.A., a1936; Flat 2, St John's House, 4 Trinity Road, Ventnor, I.W.  
Logan, James, F.C.A., aS1922; 37 Woodside Avenue, Woodside Park, London N12.  
Lovell, Jack Keith, F.C.A., a1926; 26 Branksome Road, Norwich, Norfolk, NOR 51 D.  
§Mellor, Arthur George, O.B.E., B.COM., F.S.A.A., aS1927; 47 Foxgrove Avenue, Beckenham, Kent.  
Murray, Anthony, A.C.A., a1961; 313 Littleton Road, Salford 7, Lancs.  
Netherwood, Frank, F.C.A., a1922; 17 Bootham Crescent, York.

Norfolk, Arthur Edward, F.C.A., a1925; 39 St Andrews Mount, Kirk Ella, Hull.  
Parker, Robert James, F.C.A., a1932; 'Fair Winds', Fairlea Road, Secmaston, Dawlish, South Devon.  
Peel, Edward Orrell, F.C.A., a1923; 15 Manor Wood Road, Purley, Surrey.  
§Pelling, Clifford Horace, F.S.A.A., aS1931; 14 Woodhouse Road, Hove 3.  
§Rood, Leon Mauritz, F.S.A.A., aS1933; 'Toadstools', Fernwood Avenue, Newlands, Cape Town, South Africa.  
Shott, John Beardwell, F.C.A., a1936; 'Rivelin', The Wold, Claverley, near Wolverhampton.  
§Skidmore, John, F.S.A.A., aS1923; 41 Egerton Gardens, Hendon, London NW4.  
Smith, Geoffrey Frank Richard, F.C.A., a1935; The Mill House, Honey Street, Pewsey, Wilts.  
South, Peter John, A.C.A., a1958; 32 Maryland Park, Stratford, London E15.  
Spicer, George William Lawrence, F.C.A., aS1934; 40 Holborn Viaduct, London EC1.  
Sweet, Winifred Ida, B.A., F.C.A., a1936; 38 Cranley Gardens, London SW7.  
Trudgian, Thomas Peter Francis, O.B.E., F.C.A., aS1936; Headquarters, Allied Forces Central Europe, B.F.P.O. 6.  
White, Stanley Ernest, F.C.A., a1915; 102 Rylands Road, Southend-on-Sea, Essex.  
Whittam, Frank, F.C.A., a1929; 2 Shepherds Way, Rickmansworth, Herts.  
Wilks, Alfred Daniel, F.C.A., a1948; 16 St Helens Road, Swansea.

**Death of Members**

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Arnold Joseph Angus, F.C.A., London.  
„ Alexander Ballantyne, F.C.A., Quebec.  
„ Frederick Addison Bell, F.C.A., Reigate.  
„ Stanley Grant Blakeborough, F.C.A., Atherton, Manchester.  
„ William Bowman, F.C.A., Kingston, Jamaica.  
„ Frank Wainwright Boydell, F.C.A., Chesham.  
„ Horace Selwyn Brett, F.C.A., Bromley, Kent.  
„ Kenneth Irving Brown, F.S.A.A., Gloucester.  
„ Granville Bryan, F.C.A., Rhyl.  
„ Harry Crowther, F.C.A., London.  
„ Frederick Ernest Dodson, F.S.A.A., Chilworth.  
„ Dennis Douglas, M.A., F.C.A., Whitechurch.  
„ Ernest Edwin Edwards, F.S.A.A., Leicester.  
„ Arthur France, F.C.A., Thorner, near Leeds.  
„ Charles Alec Fry, F.C.A., Cardiff.  
„ George Thomas Gardner, F.C.A., Rome.  
„ Clement Charles Govett, F.C.A., London.  
„ James William Grey, F.C.A., Hassocks, Sussex.  
„ Percy Roland Hackett, (Senr.) F.C.A., Solihull.  
„ Robert Andrew Hamilton, F.C.A., Newcastle under Lyme.  
„ Henry Hart, O.B.E., F.C.A., Doncaster.  
„ Howard Gerald Hayman, F.C.A., London.  
„ Jacob Moses Hill, F.C.A., London.  
„ Edward Whinray Johnson, F.C.A., Wigan.  
„ Frank Wilson Kilvington, F.C.A., Southwick, Brighton.  
„ Harry Edwin Kneale, F.C.A., Douglas, I.O.M.  
„ Charles Le Fevre, F.C.A., Birmingham.  
„ Sidney Claude Lewis, F.S.A.A., Isleworth.  
„ William Francis Lodge, F.S.A.A., London.  
„ Kenneth Long-Brown, M.A., F.C.A., London.  
„ Charles Ronald Macdonald, M.A., LL.B., F.C.A., Cambridge.  
„ Robert Hamilton MacIntyre (Senr.) F.C.A., London.  
„ Henry Raymond Marshall, F.C.A., Hove.  
„ Deryck Hemmings Morrey, F.C.A., Oxford.  
„ Arthur Herbert Moss, F.C.A., Sheffield.  
„ Charles O'Neill, F.C.A., Wirral, Cheshire.  
„ Louis Henry Page, F.C.A., Cromer.  
„ Wilfrid Bristowe Paton, F.C.A., London.  
„ Harold Alexander Patterson, F.C.A., West Kirby.

Mr John Kensey Pollitt, F.C.A., Newport, Mon.  
 „ Robert John Raeside, B.COM., F.C.A., Bombay.  
 „ John Arthur Frank Seddon, F.C.A., Enfield.  
 „ Alexander Sharples, F.S.A.A., Harrogate.  
 „ James Michael Smedley, F.C.A., Hove.  
 „ Leslie Dyer Smith, F.C.A., Birmingham.  
 „ Colin James Stewart, A.C.A., Nairobi.  
 „ William Taylor, F.C.A., Burnley.  
 „ Robert James Tullie, M.S.N., F.C.A., Bradford.  
 „ Sidney Vaux Turner, F.C.A., Manchester.

Mr Austen Bowen Wallis, F.C.A., Warkworth, Northumberland.  
 „ Frank Higginson Walsh, F.C.A., Burnley.  
 „ William Norman Walton, F.C.A., North Shields.  
 „ Robert Edward Warboys, F.C.A., Chigwell, Essex.  
 „ Frederick Bainbridge Watson, M.A., F.C.A., Leeds.  
 „ Harold Hope Wheatley, F.C.A., Hull.  
 „ Frederick Wilkinson, F.S.A.A., Middlesbrough.  
 „ John Halstead Wilkinson, F.C.A., Dewsbury.  
 „ John Hughes Williamson, F.C.A., Johannesburg.

## FINDING AND DECISION OF THE DISCIPLINARY COMMITTEE

*Finding and Decision of the Disciplinary Committee of the Council of the Institute at a hearing held on January 1st, 1964.*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Edwin Frederick Lawrence Sutton, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that he failed within a reasonable time or at all (a) to reply or take any action in response to two letters addressed to him by a firm of chartered accountants regarding the income

tax affairs of a client including appeals against assessments; (b) to reply or take any action in response to five letters addressed to him by the Institute, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Edwin Frederick Lawrence Sutton, F.C.A., had been proved under both headings and the Committee ordered that Edwin Frederick Lawrence Sutton, F.C.A., of 46 London Road, Southampton, Hampshire, be reprimanded.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### Lyle's Trustees (Public Trustee) v. C.I.R.

In the High Court of Justice (Chancery Division)  
 January 21st, 1964

(Before Mr Justice WILBERFORCE)

*Estate duty - Contingent share of residue - Deed of variation - Discretionary trust - For specified period or a lifetime - Death of a discretionary beneficiary - Whether a passing - Change of title - Whether a passing - Change of group of beneficiaries - Whether a resettlement - Whether a recasting of trusts - Whether a passing after an interval - Whether a passing by reference to the death - Succession Duty Act, 1853, sections 2, 8 - Finance Act, 1894, sections 1, 2 (1) (b), 22 (1).*

The testator divided the residue of his estate into three shares for his children and their issue. One share (the Kirkwood share) was settled for the benefit of his daughter so that it should be held during her life on discretionary trusts for the daughter, her children or other issue, his two sons-in-law and the children or remoter issue of the deceased daughter. After the death of the daughter interested in the Kirkwood share the capital and income of that share was to be held in equal shares for her children on attaining

21 years of age or being a daughter attaining that age or marrying.

The daughter had three children, who each became contingently entitled to one-third of the Kirkwood share on the death of their mother. One of the children, a son, made a deed of variation on July 17th, 1961, in favour of the same discretionary class for the period of seven years from the date of the deed or the lifetime of the daughter, whichever was the longer. The son released to the trustees all the income of his reversionary share; and the trustees were to stand possessed of that share during the trust period for the benefit of members of the discretionary class as the trustees thought proper; and subject thereto the son's share was to be held in trust for him absolutely. The deed also directed that after the death of the daughter and at the son's written request the trustees might transfer or pay any part of the share to him, or apply it for his advancement or otherwise for his benefit.

The testator's daughter died on July 28th, 1961, and estate duty was claimed on her death in respect of the one-third share of the Kirkwood share to which the deed of variation applied. The plaintiff contended (i) that as the daughter was but one of a numerous discretionary class, there was no passing on the occasion of her death, nor any cesser of an interest thereon; (ii) that the effect of the deed of variation merely affected the son's title to his share of the discretionary trust, and there was no change of possession. The respondents contended that the effect of the deed of variation was to set up a discretionary trust for a different class as compared with the class constituted by the testator's will; and that notwithstanding the specified period of seven years in that deed there was a passing on the death of the

testator's daughter or after a period ascertainable only by reference to that death.

*Held:* (1) as after the death of the daughter there remain several discretionary beneficiaries, there was no passing of the Kirkwood share on her death; (2) there was no change of possession and enjoyment produced by the deed of variation; (3) the variation

deed effected a mere recasting of the trusts for a period longer than the interest of the daughter; (4) there was no passing of the share in question on the daughter's death, either after an interval or at a period ascertainable by reference to her death; (5) no estate duty was exigible in respect of the son's interest in the Kirkwood share.

## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS AUSTRAL, RYLEY & Co, Chartered Accountants, of Central Chambers, Bearwood Road, Smethwick 41, Staffordshire, announce that they have acquired the practice of Mr WILFRED TULLETT, F.C.A., carried on at District Bank Chambers, 17 Bridge Street, Evesham, Worcestershire. The Evesham practice will be continued at the same address under the name of WILFRED TULLETT & Co, Chartered Accountants. Mr WILFRED TULLETT has retired from the practice but remains available for consultation.

MESSRS BATO & Co, Chartered Accountants, announce that their address is now P.O. Box 252, U.L.R.C. Building, Randall Street, Monrovia, Liberia.

Mr GEOFFREY BOOCCOCK BAXTER, F.C.A., of 6 Egypt Street, Warrington, announces that he has been joined in partnership by the partners of MESSRS LOUIS NICHOLAS & Co, Chartered Accountants, of Liverpool, with effect from February 1st, 1964. From that date his practice will be carried on from the above address under the style of BAXTER, NICHOLAS & Co, Chartered Accountants.

MESSRS BOCCOCK, JEFFERY & Co, Chartered Accountants, of 110 Green Lane, Derby, announce that Mr P. D. BEW, A.C.A., has been admitted into partnership as from February 1st, 1964. The firm of BEW & ELLIS, Chartered Accountants, of which Mr BEW was a partner, has been incorporated with Messrs BOCCOCK, JEFFERY & Co, and the combined practice is now carried on from 110 Green Lane, Derby.

MESSRS CARTER, NEWMAN & Co, Certified Accountants, announce that with effect from February 1st, 1964, they have moved their offices to 25 Bedford Row, London WC1. Telephone Holborn 7747-8.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that they have taken into partnership in Sydney, Australia, Mr PAUL JAMES CROMWELL BUSH, A.C.A. (Australia), Mr JOHN RADFORD GODDARD, A.C.A. (Australia), and Mr ALAN STUART NEILSON, A.C.A. (Australia).

MESSRS FITZPATRICK, GRAHAM & Co, Chartered Accountants, announce the retirement of Mr A. JOHN DONALD, C.A., from the Trinidad and Antigua practices and the admission of Mr DONALD A. WRIGHT, A.C.A., into the Trinidad practice with effect from December 31st, 1963. The name of the firms will remain unchanged.

MESSRS LOUIS NICHOLAS & Co, Chartered Accountants, of 19 Castle Street, Liverpool 2, announce that with effect from February 1st, 1964, they have formed an association with Mr GEOFFREY BOOCCOCK BAXTER, F.C.A.,

who has been in practice at 6 Egypt Street, Warrington, since 1937. From the above date Mr BAXTER's practice will be carried on at the same address as before under the style of BAXTER, NICHOLAS & Co, Chartered Accountants.

MESSRS PANNELL, FITZPATRICK, GRAHAM & CREWDSON, Chartered Accountants, of Lee House, London Wall, London EC2, announce that Mr GORDON ALEXANDER TREW, A.C.A., who has been with the firm for some years in London and Freetown, Sierra Leone, is now resident partner in their practice at Bathurst, Gambia.

MESSRS SHEEN, STICKLAND & Co, of Alton, Hants, and Farnham, Surrey, and Messrs E. C. PATRICK & Co, of Farnham, Surrey, announce that they have amalgamated their respective practices and that the combined practice will be conducted in the name of SHEEN, STICKLAND & Co, at 4 High Street, Alton, Hants, and 4 Downing Street, Farnham, Surrey. The partners in the firm will be Messrs ALFRED GEORGE STICKLAND, O.B.E., F.A.C.C.A., JOHN MACINTOSH, C.A., ERIC C. PATRICK, F.C.A., PATRICK RENSHAW GOULDER, A.C.A., DUDLEY NIGEL STRATFORD, M.A.(CANTAB.), A.C.A., and JOHN WATLING, F.A.C.C.A.

MESSRS JAS O. WILKINSON, SON & YATES, of 26 Willow Street, Accrington, announce with regret the death on January 10th of Mr WILLIAM YATES, A.A.C.C.A., a partner, who had been with the firm for over forty years.

### Appointments

Mr Eric M. Clayton, F.C.A., who received a knighthood in the New Year Honours List, has joined the board of Associated Television Ltd.

Mr P. J. Cope, A.A.C.C.A., has been appointed group accountant of Staveley Industries Ltd.

Mr J. C. Davies, A.A.C.C.A., has been appointed general manager of Office and Electronic Machines Ltd.

Mr S. F. Every, M.A., A.C.A., has been appointed a director of the Permutit Co Ltd.

Mr Victor D. Fenton, A.A.C.C.A., has been appointed to the board of International Rectifier Co (Great Britain) Ltd as director and general manager, while continuing as secretary to the company.

Mr Norman G. Lancaster, M.B.E., F.C.A., has been elected to the board of Beacon Insurance Co Ltd.

Mr Kenneth P. Pool, M.A., LL.B., F.C.A., has been elected chairman of Boosey & Hawkes Ltd.

Mr S. J. Saunders, T.D., F.C.A., investigating accountant of The Law Society since 1939, has been appointed the Society's finance officer.

Mr C. S. Raine, F.C.A., has been appointed a director of S. Greenman Ltd.

Mr R. J. Richards, F.C.A., secretary of Duple Motor Bodies Ltd, has been appointed an executive director of the company.

Mr K. L. Rosenvinge, F.C.A., has been appointed secretary and controller of Vickers Sperry Rand Ltd.

Mr A. E. C. Drake, C.B.E., M.A., F.C.A., deputy chairman and managing director of The British Petroleum Co Ltd, has been elected President of The Chamber of Shipping for the year 1963-64.

Mr J. P. Grant, A.A.C.C.A., has been installed as an Honorary Sheriff Substitute for the County of Nairn.

### OBITUARY

#### Mr John Baldock, F.C.A.

It is with regret that we record the death on February 3rd, aged 63, of Mr John Baldock, F.C.A.

Mr Baldock, who was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1923, was a partner in the firm of Taft, Baldock, & Winstanley, Chartered Accountants, of Nottingham, and in John Baldock & Gregory, Chartered Accountants, of Grantham. After a short period in the East and in industry he practised in Nottingham for a great number of years and subsequently since 1939 in Grantham.

### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

#### Dinner and Dance

The annual dinner and dance of the London and District Society of Chartered Accountants is to be held at Grosvenor House, Park Lane, W1, on Friday, April 3rd, at 7.30 for 8 p.m. After the dinner, at which there will be no speeches, dancing will continue until 1 a.m.

Members are advised to make early application for tickets, price 50s each, to the Secretary of the Society at 2 Norfolk Street, London WC2.

### NORTH LONDON DISCUSSION GROUP

The next meeting of the North London Discussion Group of Chartered Accountants will be held at Hotel Russell, Russell Square, London WC1, at 6 for 6.30 p.m. on Wednesday next, February 19th. The subject for discussion will be 'Why Britain should not join the Common Market', with Mr E. Holloway as leader.

The honorary secretary of the group is Mr P. D. Knox, A.C.A., Somerset Cottage, Duxhurst, Reigate, Surrey.

### GOLFING SOCIETY DINNER

Members of the Chartered Accountants' Golfing Society are reminded that the Society's dinner will be held at the Café Royal, Regent Street, London W1, on March 4th, at 6.30 for 7.15 p.m.

Members may bring guests, and application for tickets, price 35s each, should reach Mr Eric H. Head, 54 Old Broad Street, London EC2 (telephone London Wall 5082), before February 27th.

### BURNLEY BRANCH CHARTERED ACCOUNTANTS' DINNER

The annual dinner of the Burnley Branch Chartered Accountants' Society was held on January 31st, at the Lord Nelson Hotel, Nelson. The dinner was attended by seventy-eight members and guests, including Mr C. de Wit, of Mullard Magnetic Components Ltd, who proposed the toast of 'The Institute of Chartered Accountants in England and Wales'. Mr J. H. Bell, B.A., F.C.A., a member of the Council of the Institute, replied.

The toast of 'The Manchester Society of Chartered Accountants, the North Lancashire Branch and the Students' Societies', was proposed by Mr F. Simpson, B.A., and the response was made by Mr M. S. Owen, F.C.A., Chairman of the North Lancashire Branch.

Other guests included Messrs R. Whittaker, Chairman of the Burnley and District Law Debating Society; R. B. Arrowsmith, F.C.A., secretary, the North Lancashire Branch; and F. Jackson, H.M. Inspector of Taxes. The Burnley Branch Chairman, Mr J. Stansfield, F.C.A., proposed the toast to 'The Guests', and Mr W. Ashworth, LL.B., replied on their behalf.

### INSTITUTE OF ACTUARIES

Mr H. Tetley, C.B., M.A., F.I.A., has been elected President of the Institute of Actuaries in succession to Mr K. A. Usherwood, M.A., F.I.A., whose term of office will expire on June 15th. Mr Tetley is the Government Actuary, a position to which he was appointed in 1958.

### ASSISTANT OFFICIAL RECEIVERS

The Board of Trade have announced that Mr Frank Augustus Lanaway has been appointed an Assistant Official Receiver for the bankruptcy district of the County Courts of Barrow-in-Furness and Ulverston, Blackburn, Blackpool, Bolton, Burnley, Kendal, Preston, Rochdale and Whitehaven and Millom. His appointment as an Assistant Official Receiver for the bankruptcy district of the County Courts of Nottingham, Boston, Burton-on-Trent, Derby, Leicester and Lincoln and Horncastle has been revoked. The appointment and revocation took effect on January 22nd, 1964.

They also announce that Mr Charles George Churcher has been appointed an Assistant Official Receiver for the bankruptcy district of the County Courts of Northampton, Bedford and Luton and also for the bankruptcy district of the County Courts of Cambridge and Peterborough. His appointment as an Assistant Official Receiver for the bankruptcy district of the County Courts of Croydon, Guildford, Kingston upon Thames and Slough and also for the bankruptcy district of the County Courts of Aylesbury, Banbury, Chelmsford, Hertford, Newbury, Oxford, Reading, St Albans and Southend has been revoked. The appointment and revocation took effect on January 27th, 1964.

As from January 27th, 1964, the appointment of Mr John Robert Pykett as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Barrow-in-Furness and Ulverston, Blackburn, Blackpool, Bolton, Burnley, Kendal, Preston, Rochdale and Whitehaven and Millom has been revoked.

**ANOTHER RECORD YEAR FOR E.C.G.D.  
BUSINESS**

Business declared under the Export Credits Guarantee Department's 'commercial' business last year amounted to £1,041.7 million compared with £879.4 million in 1962. This represented a rise in insured exports (including some external trade) of 18½ per cent, compared with the 7 per cent rise in total United Kingdom exports. One reason for this was the increase in the number of E.C.G.D. comprehensive policy-holders – from 6,229 at the end of 1962 to 6,749 at the end of 1963.

Business declared as shipped during the final quarter of 1963 amounted to £255.4 million, less than the record figure in the previous quarter (£274.9 million) but more than the £216.4 million in the corresponding 1962 period. New business insured during the quarter where terms have exceeded six months' credit was £52.7 million, compared with a quarterly average over the previous twelve months of £42.3 million.

The number of comprehensive policies current (under section 1 of the Export Guarantees Acts) at the end of the fourth quarter of 1963 was 6,749. This compared with 6,229 at the end of the corresponding quarter last year. The face value of comprehensive policies current at the end of the quarter was £1,160.7 million, compared with £1,133.1 million at the beginning of the quarter, and £978 million at the end of the corresponding quarter last year.

**E.F.T.A. INQUIRY CENTRE OPENED**

Information about the European Free Trade Association is to be made more easily accessible to members of the public. A general E.F.T.A. information centre has been established in the Information Branch of the Board of Trade's London headquarters.

It is not intended that the new centre should replace the existing channels for business and specific inquiries about the E.F.T.A. Convention, but since responsibility in the United Kingdom for E.F.T.A. activities is spread over several departments (especially the Board of Trade, Customs and Excise, Foreign Office and Treasury), the centre should be useful for those who may not know the best source for the information they want.

Anyone who wishes to make use of the service should apply to Mr Michael Young, Room 527, Board of Trade, 1 Victoria Street, London SW1, Telephone Abbey 7877, extension 2479/2480.

**EFFICIENCY IN BUSINESS**

'Management – an inward look' will be the theme of a one-day conference organized by the Central London Productivity Association, to be held on March 19th, at the Kensington Palace Hotel, London W8.

The efficiency of businesses can only be maintained or improved if their organization and administration are critically examined periodically. At the conference speakers will put forward ideas on how such appraisals can be made and will indicate particular matters which will repay examination. Speakers will include: Mr R. G. C. Cowe, secretary, the National Coal Board; Mr F. T. Hunter, F.C.A., F.C.W.A., partner in the firm of Robson, Morrow & Co, Chartered Accountants; Mr H. E. Roff, M.A., managing director, Management Selection Ltd; and Mr O. W. Standingford, director,

Herbert Wolf Ltd. The Rt Hon. Harold Watkinson, C.H., managing director, Schweppes Ltd, will be the guest speaker at the conference luncheon.

Further particulars may be obtained from Mr R. R. Hawkesford, c/o Alfred Blackmore Ltd, 52–54 Leadenhall Street, London EC3, or from Mr T. F. Hiskey, M.B.E., National Coal Board, 2 Grosvenor Place, London SW1.

**BUSINESS EFFICIENCY EXHIBITION**

**Manchester, April 20th–25th**

Nearly eighty companies will be taking part in the fifty-third national Business Efficiency Exhibition to be held at City Hall, Manchester, from April 20th–25th. The exhibition, organized by the Business Equipment Trade Association, will be open daily from 10 a.m.–6 p.m. and among the many exhibits on display will be computers, calculators, accounting machines, typewriters, cash registers, addressing machines and filing systems.

**London, October 6th–14th**

Readers unable to visit the Manchester exhibition may care to note that the London Business Efficiency Exhibition will take place at Olympia from October 6th–14th.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF FEBRUARY 16TH, 1889

A Weekly Note

Founders' Shares

The practice in recent years of creating founders' shares of joint stock companies is one regarding the propriety of which opinions may differ. As long as investors understand exactly the rights and privileges which such shares carry there seems no reason to complain; but when, as we think is frequently the case, they do not understand the effect of such creations, the practice is objectionable. No cause, however, can benefit by false ideas and fallacious arguments; and "A Cautious Broker", who writes in the last issue of *The Economist*, condemning the practice of creating such shares seems to rest his case on both. He argues that "founders' shares are a direct incentive to the exhibition of bogus profits. Very frequently—and especially is this the case with new companies—it is quite possible by a re-valuation of assets!" We are aware that *The Economist* holds rather erratic notions as to how trading profits are arrived at, and perhaps the correspondent has got infected with the erroneous idea that the difference arising on a re-valuation of a company's assets (in the ordinary sense of the term and apart, of course, from such assets as merely constitute the stock-in-trade), enters into the profit and loss account. Ideas of this kind make a useful discussion impossible, and, so far from being an argument against the creation of founders' shares, furnish the other side with an illustration of how little many people really know of the elements of questions which they undertake to discuss.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## RESULTS OF EXAMINATIONS HELD IN NOVEMBER 1963

### FINAL EXAMINATION

#### Certificates of Merit and Prizes Awarded

*First Certificate of Merit, the Institute Prize, the W. B. Peat Medal and Prize, the Frederick Whinney Prize, the William Quilter Prize, the O. C. Railton Prize for the year 1963 and the Plender Prizes for the papers on Taxation (equal with three others) and Auditing*  
Ferguson, Andrew John Duncan (J. D. Ferguson), London

*Second Certificate of Merit, the Walter Knox Scholarship and the Plender Prize for the paper on General Financial Knowledge, Cost and Management Accounting*  
Fitz-Gerald, Anthony Derek Francis (J. Godfrey), London

*Third Certificate of Merit and (equal with three others) the Plender Prize for the paper on Taxation*  
Murfitt, William Kay (F. K. Murfitt), Nelson

*Eighth Certificate of Merit*  
Stern, Michael Charles (S. J. Bressloff), London

*Fourth Certificate of Merit and the Charles M. Strachan Prize*  
Boas, John Robert Sotheby (M. R. Harris), London

*Ninth Certificate of Merit*  
Greenhalgh, Geoffrey Frank (R. G. Davey), London

*Fourth Certificate of Merit and the Plender Prize for the paper on Advanced Accounting (Part II)*  
Clemence, John Alistair (J. E. Grande), London

*Plender Prize for the paper on Advanced Accounting (Part I)*  
Baldacchino, Raymond (H. A. Binding), Poole

*Sixth Certificate of Merit*  
Jayson, Raymond Victor (R. G. Leach), London

*Plender Prize (each equal with three others) for the paper on Taxation*  
Upshall, John (K. Davies), London  
Gibbins, John Barry (P. T. Muggison), Leicester

*Seventh Certificate of Merit*  
Palmer, Bernard Marriot (S. B. Smith), London

*Plender Prize for the paper on English Law (Part I)*  
Birdsall, Eric Graham (A. L. Braithwaite), Leeds

*Plender Prize for the paper on English Law (Part II)*  
Reynolds, Lancelot Fitzgerald (A. T. How), London

#### Full List of Names of Successful Candidates

*(The name shown in brackets is the name of the principal to whom the clerk has been articulated. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)*

Aaronberg, P. (I. B. Paul), London  
Abbott, K. R. McF. (E. C. Howie), Newcastle upon Tyne  
Abdul Wahab, S. A. K. (Miss) (Miss J. Edwards), London  
Aboderin, J. O. (E. C. A. Arnold), Hove  
Acton-Browne, B. R. (E. J. Wright), Manchester  
Adam, J. C. H. (K. G. M. Harding), Liverpool  
Adefeso, O. A. (A. T. Dowd), Manchester  
Adelusi, M. O. (C. Fenton), London  
Ahmad, K. (M. Striker), London  
Ahmed, A. (R. Kay), Manchester  
Aiken, P. R. (H. Berridge), Hull  
Ali, S. F. (R. P. Matthews), London  
Allely, I. W. (G. W. Firkins), Birmingham  
Allen, D. J. (B. E. Evans), Pontypridd  
Allen, M. B. (W. E. S. Salt), Birmingham  
Allen, R. W. (J. E. Mulcaster), Newcastle upon Tyne  
Alliban, R. D. (J. Codling), Beaconsfield  
Al-Timimi, H. A. (W. J. Corpe), Bristol  
Amies, T. J. (D. B. Buick), London  
Amin, J. (R. Marks), London  
Anderson, D. A. (F. W. English), London  
Anderson, R. G. S. (R. W. C. Dunn), Birmingham  
Andrewes, J. D. (M. B. Sarson), Oxford  
Anning, D. E., London  
Archer, G. S. H. (E. E. P. Maltby), London  
Aries, E. (K. C. R. Trafford), Oxford  
Ashburner, K. S. (D. Graham), Carlisle  
Ashton, C. G. (W. E. Emms), London  
Ashworth, G. H. (H. G. J. Foulger), London  
Astill, J. (M. H. Bradbury), London  
Atkinson, D. J. (T. D. C. Taft), Nottingham  
Atkinson, R. K. (E. Smith), Blackburn  
Austin, M. (O. R. K. Barnett), Andover  
Ayres, L. L. (R. J. H. Eagle), London

Baakza, A. M. (R. A. C. Mordant), London  
Backhouse, R. J. (R. F. Gould), Derby  
Badcock, P. G. (J. P. Ogden), London  
Baggott, M. (T. H. Mitchell), Manchester

Bailey, D. W. (C. H. Hogg), Nottingham  
Bailey, P. B., Birmingham  
Baird, R. B. (S. A. Woolven), Liverpool  
Baird, W. B. (C. N. Bruce), Hull  
Baker, J. S. (J. D. Ayrton), Halifax  
Baldacchino, R. (H. A. Binding), Poole  
Baldwin, J. H. E. (J. E. Scheerer), Leeds  
Ball, C. H. (R. E. Osborne), London  
Banks, J. L. C. (K. W. G. Webb), London  
Bannister, H. M. (Miss) (H. M. Pepper), Walsall  
Barker, P. H. S. (G. L. Aspell), Leicester  
Barker, T. (G. H. Smith), Scarborough  
Barling, P. G. B. (R. Fawcett), London  
Barnard, M. J. (A. J. Gill), Lowestoft  
Barnett, B. (Miss) (D. G. W. Ballard), London  
Barrett, A. F., London  
Barwick, B. A. (R. Brooks), London  
Bates, E. A. (Sir Thomas Robson), London  
Bates, G. J. B. (K. A. Millichap), Manchester  
Batty, A. J. (W. P. Hughes), London  
Beale, S. A. (I. R. Kendall), Birmingham  
Beardsmore, J. E. F. (E. F. Beardsmore), Birmingham  
Bearne, C. C. F. (P. L. Eynon), London  
Beazleigh, B. A. (S. C. Ellis), London  
Bedworth, W. D. (J. H. Moore), Barnstaple  
Bee, H. P. (D. G. Bee), Preston  
Bees, T. H. (G. F. Ansell), London  
Behnam, S. (J. F. Shearer), London  
Bell, J. C. (J. C. Burgess), Manchester  
Bell, M. A. (G. A. Bell), Manchester  
Belshaw, B. E. (C. L. O'Callaghan), Nottingham  
Bennett, C. J. (E. H. Orford), London  
Bennett, R. (R. Gronow), Wolverhampton  
Bessant, R. G. (W. H. Davies), Cardiff  
Betts, A. G. (B. W. Sutherland), Birmingham  
Bhaloo, N. V. (J. S. H. Vine), London  
Bill, J., Dudley  
Billingham, K. J., Solihull  
Binks, A. W. S. (A. E. Campbell), Manchester

Bird, R. C. J. (N. G. Webber), Exeter  
 Birdsall, E. G. (A. L. Braithwaite), Leeds  
 Bister, R. A. (E. J. Owen), Leamington Spa  
 Blackburn, W. (S. W. Telfer), Newcastle upon Tyne  
 Blanchflower, P. R. (G. A. Riches), Norwich  
 Bland, E. (T. D. Walker), London  
 Bland, W. (J. H. Saunter), London  
 Blease, J. M. (C. D. Jacobs), Birmingham  
 Boardman, S. H. (G. S. H. Dicker), Gt Yarmouth  
 Boas, J. R. S. (M. R. Harris), London  
 Boland, W. (W. R. Antrobus), Bury  
 Bonham-Carter, T. J. (J. T. Rutherford), London  
 Bonner, C. F. (A. C. McDonald), Surbiton  
 Bonser, A. M. H. (N. E. Rees), London  
 Boohan, M. D. (D. S. T. Pettitt), Bournemouth  
 Booth, D. B. (S. Fawcett), Salisbury  
 Booth, N. D. (D. A. Eteson), Keighley  
 Bose, D. K. (R. Y. Taylor), Manchester  
 Bose, P. J. (Mrs) (R. F. George), London  
 Bosworth, B. (K. V. R. Heaven), Birmingham  
 Botwright, R. N. (R. G. W. Walker), London  
 Bousted, J. R. (R. E. Hinchliffe), Huddersfield  
 Bowden, D. C. (D. L. Moulds), Burnley  
 Bowen, R. E. W. (G. H. Storey), London  
 Bradbury, J. M. (C. Rutter), Manchester  
 Bradley, D. F. (H. Senogles), Bangor  
 Bradley, P. (G. G. Neal), London  
 Bradshaw, E. (J. A. Colvin), Liverpool  
 Bradshaw, J. N. (J. E. Sharman), Bolton  
 Brassett, P. G. (C. H. Green), Romford  
 Breeze, P. (E. R. Thompson), Manchester  
 Brickhill, T. D. (H. B. C. Smith), London  
 Brinham, E. (L. V. Russell), London  
 Broadbent, R., Leeds  
 Brock, S. T. J. (H. E. Hill), Andover  
 Brockman, S. (F. W. Charles), London  
 Brooke-Webb, M. V. (E. A. Mortleman), London  
 Brooks, D. (R. T. Wrieden), London  
 Brown, C. C. (T. D. Walker), London  
 Brown, D. (J. D. King), London  
 Brown, D. W. (J. C. Smethers), London  
 Brown, E. M. R. (A. S. Hitchings), London  
 Brown, S. F. (L. R. Treen), London  
 Bryant, E. J. (G. R. Mackay), London  
 Buckett, C. J. (L. J. Culshaw), London  
 Buglass, A. (H. W. Wintrip), Newcastle upon Tyne  
 Bullock, J. M. (A. A. Mottershead), Macclesfield  
 Bunting, D. A. (W. H. V. Witcher), Reading  
 Burgon, P. C. (E. M. Robinson), Newcastle upon Tyne  
 Burrell, J. E. (D. H. Peed), London  
 Burslem, J. F. (P. T. Neal), Birmingham  
 Burton, G. C. (C. E. Peers), London  
 Burton, T. B. (D. E. Webb), London  
 Bury, D. G. (E. S. Jepson), Darwen  
 Busby, C. R. (H. M. Sayers), London  
 Bush, A. E. L. (B. J. Ketchlee), London  
 Bush, J. A. (L. D. Hayward), Liverpool  
 Butnick, A. E. (N. Linson), London  
 Butterworth, H. B. (J. F. Taylor), London

Cadiz, M. P. (R. F. May), London  
 Campion, S. P. (C. A. Chapman), London  
 Cannell, M. D. H., Norwich  
 Cariou, M. G. (D. L. Lince), Guernsey  
 Carlin, H. A. (R. F. G. Burrows), Nottingham  
 Carlyle, N. S. (A. V. Flather), Bradford  
 Carter, A. S. (J. M. Harvey), Liverpool  
 Carter Pegg, H. (H. D. Milroy), London  
 Cartwright, J. E. C. (J. F. Masters), Horsham  
 Cashman, S. (R. L. B. Guettier), London  
 Chalmers, N. A. (F. S. Bray), London  
 Chapman, M. W. (W. K. Wells), London  
 Chapman, P. R. (F. A. Pratley), London  
 Cheah, T. K. (T. H. Pawley), London  
 Checkley, P. (B. A. Gee), London  
 Chesworth, J. (R. P. Wilkinson), Manchester  
 Chisnall, D. C. (J. M. Harrison), Liverpool  
 Chute, T. M. (L. J. Ive), London  
 Clark, D. (J. V. Baines), Stockton on Tees  
 Claik, K. W. (R. H. Macintyre), London  
 Clarke, G. S. (G. A. Cherry), London  
 Clarke, H. A. (The Hon. J. W. Remnant), London  
 Clarkson, J. (C. A. P. Snow), Darlington  
 Clayden, P. J. (J. T. Jones), Cardiff  
 Clemence, J. A. (J. E. Grande), London  
 Clement, R. J. (T. C. Backshell), Surbiton  
 Clements, P. H. C. (P. E. Bower), Manchester

Clow, B. J. (A. J. H. Watson), London  
 Cobley, K. (W. G. Adams), London  
 Cody, D. P. (E. T. Peckham), London  
 Coe, D. J. (B. L. Barber), London  
 Cohen, E. S. (M. Bennett), London  
 Cole, A. J. (F. B. Proctor), London  
 Collins, J. D. (N. Foulger), London  
 Compton, D. H. (A. D. Wardle), London  
 Connolly, M. (B. A. Clark), London  
 Connorton, F. (J. W. Berriman), Middlesbrough  
 Cook, A. C. (L. J. Newey), Romford  
 Cook, G. A. (A. L. Rowles), London  
 Cook, G. A. (Miss) (G. L. A. Davis), London  
 Cook, R. F. W. (C. K. Frost), Leeds  
 Cooke, D. T. (E. J. Wade), London  
 Cooke, H. R. G. (N. C. Elliott), London  
 Coombs, M. J. (Miss) (G. Williams), London  
 Cooper, B. J. (R. S. Gumery), Birmingham  
 Cooper, G. W. (L. Davies), Wolverhampton  
 Cooper, R. E. B. (F. L. Gower), Ipswich  
 Cooper, S. E. (E. M. Smith), Baldock  
 Cornelius, A. J. (F. A. H. Skinner), London  
 Corney, D. J. (E. G. Wilcox), Birmingham  
 Cornfield, R. W. (P. A. Elliott), London  
 Cornforth, S. (Miss) (D. B. Lawson), London  
 Corscadden, J. A. B. (E. Corscadden), Wakefield  
 Coveney, R. H. (F. E. Wood), Manchester  
 Cowling, J. A. (R. A. Henley), Norwich  
 Cowling, M. J. K. (A. J. Whiting), Wisbech  
 Crabbe, A. J. T. (C. E. Garratt), Birmingham  
 Craig, J. S. (H. J. Gittos), Birmingham  
 Craven, B. G. (H. W. Clough), Bradford  
 Crawford, P. F. (E. Catherall), Chester  
 Cross, R. D. (G. C. Taylor), Ashford  
 Crush, J. A. (C. E. Kendall), Portsmouth  
 Curry, J. A. H. (J. P. C. Richardson), London

Dandy, J. (T. R. Keens), Luton  
 Davenport, R. E. (H. M. Pepper), Birmingham  
 Davey, R. J. C. (N. Davies), London  
 Davies, A. A. (G. Westcott), Pontypridd  
 Davies, O. H. (C. Wallington), London  
 Davies, R. J. (S. T. Maxwell), Preston  
 Davis, H. M. (E. R. Thompson), Manchester  
 Davis, J. G. M. (H. Tonge), Oxford  
 Davis, J. S. (E. J. Pinniger), Salisbury  
 Davis, R. H. (H. Hockaday), Liverpool  
 Davis, R. M. (J. S. Sutton), Birmingham  
 Day, M. J. (R. H. Wall), Birmingham  
 De Courcy Thompson, J. B. (H. J. Williams), London  
 Deighan, T. E. (T. L. Mylechreest), Douglas  
 Denholm, J. N. (W. E. Beddington), Derby  
 Denny, B. J. (T. A. MacFarlane), Liverpool  
 Devani, S. C. (A. Harris), London  
 Dewar, J. A. (P. L. H. Smith), Harrogate  
 De Wilde, T. C. (V. D. Boorman), Twickenham  
 Dexter, A. M. (S. Goldwater), London  
 Dhar, P. K. (H. C. Allen), London  
 Dickinson, P. N. (E. Chetter), Liverpool  
 Dimbleby, R. T. (A. V. Flather), Bradford  
 Dobson, T. E. (R. L. Topham), Keighley  
 Dodderidge, E. (W. G. Wilson), Liverpool  
 Dodgson, K. W. (G. E. Rushton), Bradford  
 Dohadwala, Y. H. (L. Stockman), London  
 Dolling, D. S. (Miss) (J. R. Gregory), Brigg  
 Donoghue, W. J. (L. O'B. Deacon), London  
 Doody, N. B. (J. P. Stewart), Camberley  
 Doshi, H. B. (A. Sadie), London  
 Drower, J. R. (Miss) (T. E. Swancott), London  
 Dudgeon, J. E. (C. R. Riddington), Leicester  
 Duff, P. M. (A. Whittaker), Sunderland  
 Duggan, J. (A. R. Chapman), Newcastle upon Tyne  
 Dunn, P. (H. Lawton), Manchester

Earl, B. G. (S. G. Prime), London  
 Early, B. L. (D. F. Sharpe), London  
 Easson, J. H. S. (W. Parker), Birmingham  
 Easter, D. H. (J. T. Rutherford), London  
 Easterbrook, A. C. (R. H. Passmore), Torquay  
 Edgar, J. B. S. (D. H. Kirk), London  
 Edwards, M. M. (J. P. M. Thompson), London  
 Ellinson, J. (L. H. Lesser), Southend-on-Sea  
 Elliott, K. M. (R. T. Walters), London  
 Ellis, A. (R. C. Bishop), Leicester  
 Ellison, M. A. H. (W. T. Wells), Kingston upon Thames  
 Elston, J. (H. Battye), Sheffield  
 Elston, N. (S. J. G. Southon), Exmouth



Embricos, A. P. (H. C. Fooks), Cardiff  
 Emmerson, D. M. I. (R. L. Mills), Newcastle upon Tyne  
 Emmott, M. (Miss) (R. E. Spenser), London  
 Endicott, D. J. V. (B. P. Hegarty), London  
 Engerran, M. E. (T. G. Buckingham), London  
 Enright, P. M. (M. D. Booth), Newbury  
 Epstein, V. H. (C. M. Shore), London  
 Evans, A. M. (A. M. E. Morgan), Aberdeen  
 Evans, J. B. (P. J. Mortlock), Grays  
 Evans, K. J. (P. J. L. Case), Watford  
 Everitt, W. J. H. (W. K. Wells), London  
 Euinton, A. C. (J. Ager), London

Fairbairn, W. A. (G. P. Clarke), London  
 Farquhar, R. M. (D. B. D'Eath), London  
 Faulkes, M. G. W. (H. D. Radford), Birmingham  
 Faulkner, R. I. (J. A. Potter), London  
 Ferguson, A. J. D. (J. D. Ferguson), London  
 Fetterman, N. (M. Thei), London  
 Fidler, M. E. (A. G. B. Drabble), London  
 Finn, P. H. (W. C. Long), Bradford  
 Finnegan, P. A. (H. M. Madeley), Birmingham  
 Fisher, R. B. N. (D. J. Gulliford), Portsmouth  
 Fitz-Gerald, A. D. F. (J. Godfrey), London  
 Flanagan, D. A. (D. W. Stirling), Birmingham  
 Flavell, J. S. (N. F. Traylor), Bognor Regis  
 Flegg, P. K. (R. E. Reynolds), London  
 Fleming, D. J. (G. H. Scott), Leeds  
 Foale, G. D. K. (R. H. Passmore), Torquay  
 Foot, K. B. (L. F. H. Jones), Lymington  
 Ford, R. J. (C. C. Hayman), London  
 Forshaw, R. A. (W. Miles), Bournemouth  
 Foster, J. W. (E. C. Jennings), South Shields  
 Foster-Brown, R. S. (N. M. Cival), London  
 Fox, A. H. P. (R. H. Wall), Birmingham  
 Foyster, W. R. (J. P. Stephens), London  
 Francis, D. A. (A. G. Bragg), Birmingham  
 Freeman, A. H. (H. Tonge), Oxford  
 French, L. E. (G. H. B. Rowlinson), Cambridge  
 French, T. J. (M. Wheatley Jones), Manchester  
 Fung, C. C. (W. P. Gunn), London

Gallagher, R. B. (C. Geipel), Birmingham  
 Garner, J. A. (E. Sykes), Manchester  
 Garner, M. F. (G. E. Morrish), London  
 Garrett, A. V. (R. M. Fox), London  
 Gawne-Cain, R. D. (D. C. Keeping), London  
 Gaywood, P. (T. H. Trump), Cardiff  
 Geer, P. N. (D. L. Combridge), London  
 Gettins, B. J. (J. E. Sharman), Bolton  
 Gibbins, J. B. (P. T. Muggison), Leicester  
 Gibbs, C. G. (A. D. Johnson), London  
 Gilkes, D. A. (C. E. M. Hardie), London  
 Gill, C. (E. F. Wilkins), London  
 Gillman, C. T. (J. C. Howard), London  
 Glossop, B. (B. C. Dixie), London  
 Goggs, A. Q. (G. P. Norton), Huddersfield  
 Gooch, A. J. (B. S. Coker), Grays  
 Goodwin, D. J. (C. F. Horton), Maidstone  
 Gould, D. J. (P. G. Blampied), Jersey  
 Grant, H. R. (E. T. Walliss), Kidderminster  
 Grant, R. (S. Fawcett), Salisbury  
 Graves, D. W. (T. G. Blackwell), London  
 Gray, A. M. (L. C. Winterton), London  
 Gray, J. McK. (J. W. Lane), London  
 Green, G. (L. S. Wrightson), Grimsby  
 Green, P. J. H. (N. McLaren), London  
 Greenhalgh, G. F. (R. G. Davey), London  
 Greenhough, D. M. R. (L. F. David), London  
 Greenwood, M. (W. Taylor), Burnley  
 Griffiths, J. A. (R. O. White), London  
 Griffiths, K. D. (L. N. Vizard), Cheltenham  
 Grimshaw, P. R. (H. Anderson), Leeds  
 Grodzinski, E. A. (N. G. Sage), London  
 Groom, M. J. (A. B. Plevy), Wolverhampton  
 Gyamfi, P. B. (J. E. Williams), London

Hacker, J. R. (F. McD. Hall), London  
 Hadfield, P. D. S. (E. D. McMillan), London  
 Hadjitofi, P. (C. V. Miles), Cardiff  
 Haile, B. E. (J. H. Golcher), Leicester  
 Haines, J. (R. W. Atkin), Sheffield  
 Hainsworth, A. (F. Lightowler), Bradford  
 Halit, A. R. (Metzger), London  
 Hall, B. M. (H. P. Nunes Vaz), London  
 Hall, M. R. (L. Geary), Manchester  
 Hall, R. W. J. (B. Wilton), Bexhill-on-Sea

Halpin, C. F. (G. B. Bunker), London  
 Hamilton, D. N. P. (S. W. C. Sprunt), London  
 Hammond, J. (R. W. Young), London  
 Hannam, B. N. (P. B. Settle), Colne  
 Harcombe, K. I. (J. H. Wilkinson), Macclesfield  
 Hardie, R. G. (D. N. Walton), Manchester  
 Hargreaves, C. S. (E. M. Haslam), Bolton  
 Hargreaves, B. (W. Collinge), Burnley  
 Hargreaves, M. W. W. (J. E. Spoor), Newcastle upon Tyne  
 Harland, M. J. S. (L. F. Guillem), London  
 Harmer, P. J. (J. E. Talbot), London  
 Harpur, W. G. (B. H. Larkins), Birmingham  
 Harrington, L. T. (D. B. Hirschfeld), London  
 Harris, B. R. (J. R. Chappell), Ilford  
 Harris, J. A. (R. W. Leigh), London  
 Harris, R. J. (H. K. G. Martyn), Truro  
 Harrison, A. J. (G. A. Williams), Newport, Mon  
 Harrison, J. N. (B. J. A. Lowe), London  
 Harrison, W. H. (R. H. Wood), Bradford  
 Hart, A. W. (J. S. Wortley), Sheffield  
 Hartley, C. R. (E. I. Reynard), Nelson  
 Hartwell, J. A. (G. L. A. Davis), London  
 Harvey, M. S. (H. G. J. Foulger), London  
 Harwood, T. P. (G. S. Middleton), London  
 Hawkwood, J. K. (A. F. Kearns), Manchester  
 Hayden, M. A. (R. S. Andrews), London  
 Hayes, I. W. (A. E. Mitchell), Chesterfield  
 Haynes, P. E. (J. A. Allen), London  
 Heath, J. A. (H. G. P. Greenwood), London  
 Hellyar, M. F. (J. H. G. Maltby), London  
 Henderson, G. (A. R. Glenton), Newcastle upon Tyne  
 Henry, M. R. (R. M. Chapman), South Shields  
 Henton, R. G. (G. H. Cammille), Lincoln  
 Herbert, M. (M. I. Makin), London  
 Heroys, N. (S. K. Tubbs), London  
 Hesford, M. M. P. (J. C. Benson), Newcastle upon Tyne  
 Heslop, R. (J. S. Armstrong), Newcastle upon Tyne  
 Hetherington, R. G. (L. N. Winder), Liverpool  
 Hewerdine, D. (J. Baldock), Grantham  
 Hewitt, T. (S. G. Sillem), London  
 Hews, R. A. F. (G. C. Toulmin), Brighton  
 Hickman, M. W. (J. Perfect), London  
 Higginson, T. R. (R. Horne), Blackpool  
 Higson, W. S. (K. H. Mackenzie), Liverpool  
 Hill, R. P. (P. H. Dyer), Bristol  
 Hill, V. G. (J. K. Macrae), London  
 Hillier, J. H. (A. P. W. Simon), London  
 Hindmarch, J. G. (E. A. Toplis), Grantham  
 Hiser, B. R. (C. Gildon), Middlesbrough  
 Hitchcox, D. M. W. (C. J. M. Bennett), London  
 Ho, T. M. (C. G. Hayes), London  
 Hobbs, W. J. M. (K. H. Gibbons), Bristol  
 Hodder, M. J. (E. R. Nicholson), London  
 Hodges, D. W. (K. J. Milligan), Birmingham  
 Hodgkins, A. A. (A. G. Touche), London  
 Hodgson, A. G. S. (R. H. Parsons), Eastbourne  
 Hodgson, E. M. (C. A. Wood), Bridlington  
 Hoe, A. McL. (A. A. Mottershead), Macclesfield  
 Hogg, A. C. (R. J. Burford), Cardiff  
 Holloway, A. C. E. (D. H. Collier), London  
 Holyoak, A. M. (D. S. Evason), Shrewsbury  
 Homan, G. F. (C. W. Bingham), Nottingham  
 Hopkins, J. D. (M. C. Stothert), Bournemouth  
 Horley, G. H. (J. R. Antoine), High Wycombe  
 Horrocks, J. G. (H. Lawton), Manchester  
 Horton, J. P. (G. H. Kelsey), Lincoln  
 Hoskins, A. S. (N. J. Millard), London  
 Houghton, W. N. (S. Tickle), Birmingham  
 Houseman, M. (G. M. Barr), Doncaster  
 Howard, G. G. (G. C. Peat), London  
 Howe, D. G. (J. R. Adcock), Birmingham  
 Howells, J. S. (D. J. Dempster), Llanelli  
 Hoyle, R. (J. H. Bradley), Liverpool  
 Hubble, R. J. (R. H. Langdon-Davies), Oxford  
 Hulme, H. W. (J. S. Hillyer), London  
 Hunt, B. D. (A. F. Dawes), Birmingham  
 Hunter, P. C. C. (W. E. Parker), London  
 Hurst, D. V. (W. G. Wilson), Liverpool  
 Hurst, P. W. (N. A. Wiseman), London  
 Hutchins, R. J. (L. H. Mitchell), London  
 Hutt, C. J. (G. M. Richards), London

Imison, C. W. T., London  
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 Inyang, E. U. U. (G. L. Croom), Cardiff  
 Ions, W. W. (J. E. Spoor), Newcastle upon Tyne  
 Ireland, R. S. (J. H. Varcoe), Bristol



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Jackson, D. F. (J. A. Wild), Stockport  
Jackson, J. S. (J. H. Jackson), Leigh  
Jackson, R. I. (J. H. Godfrey), Sheffield  
Jagger, P. G. (A. W. Dalling), Brighton  
Jarvis, B. J. (G. T. Edgington), Birmingham  
Jayson, R. V. (R. G. Leach), London  
Jeffries, B. J. (D. A. Clarke), London  
Johns, B. E. M. (F. T. Snow), London  
Johnson, D. V. (W. Swinburne), Preston  
Johnson, J. A. B. (T. E. Entwistle), Liverpool  
Johnstone, D. W. R. (P. Godfrey), London  
Jolliffe, A. S. (E. D. Jehring), London  
Jones, A. D. C. (R. Goorney), Blackpool  
Jones, A. J. (E. J. R. May), London  
Jones, B. (A. Seddon), Derby  
Jones, B. W. (J. Bardsley), Newark  
Jones, D. F. (A. G. Elliott), Harrow  
Jones, H. R. (J. G. Davies), Wrexham  
Jones, J. M. (N. D. Ednie), Bedford  
Jones, M. E. (D. L. L. Pritchard), Carmarthen  
Jones, M. G. (J. B. Marks), London  
Jopling, D. W. (R. L. Emmitt), Sheffield  
Jopp, K. E. (J. L. Simpson), Kingston upon Thames  
Jopson, T. D. (J. L. Wood), Burnley  
Juckles, P. M. (V. G. Mundy), Gloucester  
Julien, M. F. (E. D. McMillan), London

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Kellie-Smith, D. A. (F. W. Charles), London  
Kelly, D. R. S. (D. M. Finlayson), Liverpool  
Kelly, M. (E. C. Greenbury), London  
Kelly, P. D. (C. K. Stansfield), London  
Kemp, R. C. (D. B. Dawes), Manchester  
Kempson, J. B. (E. F. W. Batts), London  
Kerman, N. B. (C. Romer-Lee), London  
Kerr, J. M. R. S. (C. W. Puckett), Torquay  
Ketteley, J. H. B. (A. Barron), London  
Keyte, K. W. (H. L. Barnes), Stratford on Avon  
Khan, M. A. (R. H. Macintyre), London  
Khawaja, M. F. (W. G. Brookes), London  
Khosla, R. K. (P. A. Welsford), London  
Kilner, D. L. (W. A. Allan), Newcastle upon Tyne  
Kirby, J. P. (D. T. Veale), Leeds  
Kirk, D. G. (G. M. Barr), Doncaster  
Kirwan, M. R. (R. G. Leach), London  
Kleyman, E. D. (H. Goodier), London  
Knight, D. O. (G. B. Sapsford), Waltham Cross  
Knox, J. A. (D. C. Hobson), London  
Krish, J. P. (J. D. Nightingale), London

Lait, B. H. (I. C. Paterson), London  
Lam, T. Y. (H. L. Ward), London  
Lambert, M. L. (D. J. Ginnings), London  
Lambourne, C. R. (J. D. Wells), London  
Lane, N. A. (H. J. Wells), London  
Lane, N. D. J. (R. G. Howell-Jones), London  
Lang, J. C. V. (E. A. Bland), Colchester  
Lawrance, R. S. (M. R. Nathan), London  
Lawrenson, J. A. (W. L. Solon), Worcester  
Lawson, D. H. (P. F. Pierce), Accrington  
Lawton, P. A. (F. G. Batty), West Bromwich  
Leeson, I. A. (Sir William Carrington), London  
Leonard, M. F. (A. J. Page), London  
Leong, D. (L. King), Liverpool  
Leppington, C. M. (J. B. Dunford), Newcastle upon Tyne  
Levene, L. B. (S. R. Russell), London  
Levison, B. L. (A. R. Avens), Portsmouth  
Levy, B. A. (A. A. Davis), London  
Lewis, H. G. (D. F. Pratten), London  
Lewis, J. D. (G. A. Shipton), Bristol  
Lewys-Lloyd, A. D. (Miss) (E. N. MacDonald), Liverpool  
Leyhane, R. C. (F. W. Charles), London  
Libson, J. L. (J. Radstone), London  
Liggins, J. A. (A. Guild), Coventry  
Lindley, P. M. (A. G. Thomas), Sheffield  
Lindsay, H. (H. E. Harden), London  
Linger, R. G. (D. H. Thomas), London  
Lipman, H. (G. L. Bloom), London  
Littlewood, J. (W. S. Morley), Leeds  
Llewellyn, C. J. (I. G. Miller), Cardiff  
Llewellyn-Jones, J. H. (W. K. Wells), London  
Lloyd, S. J. (H. J. Watkins), London

Lodge, P. J. (N. V. Collins), London  
Logan, J. (D. H. Rooke), London  
Lohnberg, M. J. (R. W. Warren), London  
Lomax, D. P. (R. Law), Liverpool  
London, M. J. (J. D. Naylor), London  
Loveday, J. C. (P. Williams), Huddersfield  
Lowdon, L. (J. W. Raw), London  
Lowe, D. L. (E. J. Comley), London  
Lowery, C. G. (T. S. Milburn), North Shields  
Lowndes, J. R. C. (T. Ashton), Nottingham  
Lucas, B. E. (C. M. Foxon), Nottingham  
Lucas, J. P. (R. F. E. Asquith), Leeds  
Lynn, R. S. (M. H. Turner), Ipswich  
Lyttleton, J. A. (N. G. Reeves), London  
Lyons, P. W. (R. E. Goate), Canterbury

McCotter, R. A. (R. A. Hubbard), Reading  
McCowie, G. (A. I. G. White), Newcastle upon Tyne  
MacDonald, J. W. S. (W. E. Parker), London  
McDougall, A. J. (J. L. Wilkinson), Altrincham  
McDowell, R. E. (C. Gee), London  
McEntyre, D. J. (G. R. Leech), Liverpool  
McFadzean, G. B. (R. G. Leach), London  
McGinty, B. J. (L. R. Turner), Liverpool  
McIntosh, I. A. N. (G. H. Smith), Bradford  
McLaren, S. P. (J. A. Allen), London  
McPherson, K. S. (G. G. Wight), London  
Magnay, B. (H. J. H. Sisson), Newcastle upon Tyne  
Mahoney, A. D. (D. T. Veale), Leeds  
Maitland, R. D. (D. S. Morpeth), London  
Malcolm, A. (G. Tattersall), Huddersfield  
Mallett, A. S. (P. Scarfe), Norwich  
Malyon, G. E. (R. H. Jenkins), London  
Mannion, J. J. (D. R. Fendick), Manchester  
Mantel, R. (I. W. Clemence), Beckenham  
Marcus, M. B. (I. P. Jaffe), Manchester  
Markham, J. M. G. (M. E. Riddelsdell), London  
Marsh, R. W. (J. B. Ransome), London  
Marshall, H. J. F. (J. W. Margetts), London  
Marshall, M. A. (H. C. M. Lewis), Eastleigh  
Martin, T., London  
Martin, W. K. (W. J. Wadley), Malvern  
Marvin, J. A. (R. C. Bishop), Leicester  
Mason, R. D. (E. E. Ray), London  
Mason, T. H. (F. D. Jeffries), Walsall  
Massey, A. J. (H. E. Hann), London  
Massey, R. C. (E. N. Knowles), Winchester  
Matthew, P. G. (E. G. Lambard), London  
Matthews, W. B. (J. G. W. Dodd), London  
Mawby, J. E. (L. W. Gibson), Morecambe  
Maxwell, C. A. (P. S. Hawkins), London  
May, D. R. (H. J. Hoby), Rochester  
Meade, B. J. (G. G. Boxall), London  
Mecklenburgh, M. L. G. (G. L. Ratcliffe), Bournemouth  
Meller, A. T. (V. F. Berry), London  
Mercer, J. A. (E. S. Browne), Liverpool  
Merrifield, C. (R. D. F. Brearley), Devizes  
Merrin, D. S. R. (V. A. Bell), Manchester  
Micklethwait, A. R. (J. A. P. Whinney), London  
Middleton, L. C. (G. H. B. Rowlinson), Cambridge  
Miles, K. C. (G. H. Fletcher), London  
Miliffe, P. J. (P. B. MacHugh), London  
Miller, J. L. (A. R. Hack), London  
Milton, J. D. (P. G. Hill), Huntingdon  
Mines, T. J. (F. H. G. Tompkins), London  
Mistry, D. R. (V. C. Baker), London  
Mitchell, B. W. (F. Broadie), Manchester  
Mitchell, T. J. (D. W. Waite), Halifax  
Mittra, A. K., Calcutta  
Mittal, S. K. (C. J. Hayward), Reading  
Mockeridge, M. P. (L. H. Brazier), Southend-on-Sea  
Modha, V. L. J. (J. J. Findlay), London  
Mogford, B. A. (R. H. Cobham), Birmingham  
Molloy, J. H., London  
Monk, R. G. (D. T. H. Nicholson), London  
Moore, G. G. (I. G. Miller), Cardiff  
Moores, C. G. (H. D. Collins), Southport  
Mordy, W. H. J. (A. V. Flather), Bradford  
Morland, D. P. (Sir Thomas Robson), London  
Morris, A. G. (F. D. M. Lowry), Liverpool  
Morris, J. R. (J. K. Black), London  
Mortimer, B. (B. D. Alexander), Maidstone  
Morton, M. (F. D. Jones), Derby  
Mouser, G. H. W. (H. W. Bramley), London  
Mowat, M. C. (N. L. R. Trounce), Manchester  
Mowbray, C. C. (E. P. D. Taylor), Liverpool  
Moxon, L. (R. Walton), Leeds

Mujtaba, E. (A. Fisher), London  
 Mulhall, J. B. (L. Jennison), Tring  
 Munro, N. J. T. (D. B. D'Eath), London  
 Murfitt, W. K. (F. K. Murfitt), Nelson  
 Murray, J. (I. D. Nelson), Sunderland  
 Murray, J. H. (J. A. Cook), Stockton on Tees  
 Murton, D. B. (L. J. Moore), Newmarket  
 Myatt, P. L. (W. Lodge), Liverpool

Nathwani, H. J. K. (E. Bostock), London  
 Naylor, J. B. (M. Naylor), Blackpool  
 Nelson-Gracie, R. (J. C. Littlejohns), London  
 Newbery, C. H. (E. W. Watts), London  
 Newbery, R. G. N. (C. A. Butt), Leamington Spa  
 Newhouse, P. J. (C. H. W. Sansom), Middlesbrough  
 Newsome, T. J. (J. Redshaw), Leeds  
 Newton, J. P. (J. M. Fendley), Carlisle  
 Newton, R. P. J. (M. W. Smith), Poole  
 Nicholson, P. (F. G. Hill), West Hartlepool  
 Nixon, J. (P. Brook), Braçford  
 Norbury, J. F. (H. McCredy), Manchester  
 Norton, R. J. (J. Auerbach), London

Oakes, A. C. (A. L. W. Rich), London  
 Oates, W. (J. Fearnside), Bradford  
 O'Brien, M. (R. Richards), London  
 O'Brien, P. C. (L. Booth), Witney  
 O'Callaghan, M. H. D. (E. E. Ray), London  
 O'Driscoll, B. T. (J. A. Don Fox), London  
 Ody, K. A. (H. T. Easdale), London  
 Ogbunju, V. U. (I. M. Morris), Manchester  
 Ogundiyi, K. O. (A. G. Mortimer), London  
 Ogutuga, D. B. O. (T. S. Mullarkey), London  
 Oldhams, W. C. (D. B. Buick), London  
 O'Leary, T. (A. L. Low), London  
 Oliver, J. E. (H. J. Prestwich), Blackpool  
 Openshaw, J. D. (J. H. Whyte), South Shields  
 Orrow, R. J. (E. R. Nicholson), London  
 Osmond, J. (N. A. Wiseman), London  
 Osmond, P. R. V. (A. H. Farquhar), London  
 Otley, T. R. (S. J. Pears), London  
 Osbourne, W. L. F. (R. H. Martin), Cardiff  
 O'Shea, J. (E. W. Spruce), Newcastle upon Tyne  
 Overton, J. S. (W. G. Densom), London  
 Owen, D. G. (C. Phizackerley), Chelmsford  
 Owen, J. M. (Miss) (F. Wheatley Jones), Manchester  
 Oxley, W. (S. H. Buxton), Manchester

Padovan, J. M. F. (Sir Thomas Robson), London  
 Palmer, B. M. (S. B. Smith), London  
 Palmer, D. A. (A. E. R. Formoy), London  
 Palmer, R. F. (B. E. Basden), London  
 Park, K. N. (C. A. P. Snow), Darlington  
 Parrott, M. C. (A. E. D. Tribe), Bristol  
 Parry-Wingfield, M. A. (W. B. Chapman), London  
 Pasquill, J. H. (R. Walton), Leeds  
 Pasricha, J. L. (H. A. Hawes), London  
 Patel, M. U. (S. Lever), London  
 Patterson, J. C. (D. B. Ward), Newcastle upon Tyne  
 Paulding, R. J. (G. Ford), Bournemouth  
 Paun, R. J. (F. S. Young), London  
 Peake, H. N. (R. S. Wilkinson), Stoke-on-Trent  
 Pearlman, D. (L. W. Bingham), London  
 Peat, R. H. (W. R. T. Whatmore), London  
 Penwill, J. G. (G. N. Fullagar), Liverpool  
 Perera, O. (D. Garrett), London  
 Perkins, J. T. (H. L. Bangham), Swansea  
 Philippou, A. J. (A. D. Dinnen), London  
 Phillips, J. M. (M. R. Harris), London  
 Phrakhun, R. S. (T. T. Hodgson), Brighton  
 Pickess, B. A. (R. D. Curtis), London  
 Pickles, R. G. (T. E. Pickles), Selby  
 Picksley, B. P. (F. H. Turner), Lincoln  
 Pike, J. R. (S. L. Kingdon), London  
 Pilgrim, C. H. (H. E. Hard), Southend-on-Sea  
 Pillai, R. A. (D. Smith), London  
 Pitt, J. R. (G. H. W. Delderfield), London  
 Pollard, A. M. W. (H. G. P. Greenwood), London  
 Pollins, M. (H. L. George), Hove  
 Pollock, J. C. (J. D. Green), London  
 Porter, N. M. (A. F. Clarke), Liverpool  
 Portergill, R. G. (J. Portergill), Banbury  
 Pott, M. W. R. (N. B. Danbury), London  
 Potter, A. R. (R. H. Passmore), Torquay  
 Potter, J. J. McK. (A. W. Sarson), London  
 Poulard, C. (G. C. Calder), London  
 Povoas, G. S. (J. C. C. Braint), Leicester  
 Powwala, K. M. (T. D. Carnwath), Manchester

Pratt, E. J. (K. G. Warriner), Leeds  
 Price, S. S. (J. G. Buckler), Burton-on-Trent  
 Prowting, K. D. J. (R. H. Jarritt), Bristol  
 Purcell, L. (J. Ross), Manchester  
 Purcell, P. J. (H. G. George), Cardiff

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 Rajaretnam, E. K., London  
 Ramanathan, S. (J. L. Turner), London  
 Raphael, D. H. G. (M. St. A. Moore), London  
 Ratray, J. S. (J. L. Stevenson), London  
 Rawlins, D. J. W. P. (N. A. Smith), Reading  
 Rawse, J. M. (G. H. Smith), Bradford  
 Rayner, A. (M. Peters), London  
 Rayner, P. A. G. (C. L. Woolveridge), London  
 Read, P. M. (R. G. Pegler), London  
 Record, A. (D. B. Lye), Folkestone  
 Reddy, J. G. (F. S. Smith), London  
 Reed, J. N. (E. C. Jennings), South Shields  
 Reeve, J. W. (E. H. King), Birmingham  
 Refson, P. S. (T. C. Squance), Sunderland  
 Reid, A. B. (W. F. C. Harwood), London  
 Reid, D. P. (J. E. L. Griffith), Maidenhead  
 Renwick, J. S. (J. A. Taylor), Hyde  
 Reynolds, L. F. (A. T. How), London  
 Richards, G. S. (W. E. Ridsdale), London  
 Richardson, B. (H. Lomax), Manchester  
 Richardson, J. (J. G. Holcroft), Bacup  
 Richardson, M. A. (J. D. Liggatt), London  
 Richardson, P. (N. Green), Sudbury  
 Riches, L. E. C. (M. A. Charlton), London  
 Richings, A. K. (W. G. Miller), Newcastle upon Tyne  
 Ridehalgh, F. (G. E. Hayes), Blackburn  
 Rider, J. F. (R. C. Blows), Cambridge  
 Ridley, P. (J. K. Snow), Scarborough  
 Riley, G. H. (E. Sheard), Huddersfield  
 Riley, J. R. (R. S. Longcroft), London  
 Ringrose, N. J. C. (E. D. McMillan), London  
 Rix, J. E. (C. R. Gaultier), Blackpool  
 Roberts, A. (F. Coates), Burnley  
 Roberts, C. J. (J. R. Baker), London  
 Roberts, D. (H. C. Mounsey), Liverpool  
 Roberts, G. A. (E. J. R. Holder), London  
 Roberts, G. E. (T. Myers), Manchester  
 Roberts, M. A. (E. J. Humphries), Bath  
 Roberts, P. R. G. (W. F. Riding), Manchester  
 Roberts, R. T. H. (S. W. Percival), London  
 Robinson, C. H. (J. D. Paull), London  
 Robinson, F. C. E. (J. H. Davies), London  
 Robinson, H. C. (B. O. Chilver), London  
 Rockett, C. J. (P. Sheard), Huddersfield  
 Rodgers, P. M. (R. Varney), Spalding  
 Ross, N. C. (D. B. Ward), Newcastle upon Tyne  
 Ross, S. H. (P. Sober), London  
 Rosser, T. D. B. (W. G. Jones), Llanelly  
 Rowan, N. L. (G. L. Bloom), London  
 Rowlandson, R. G. St. J. (W. G. Densom), London  
 Rutteman, P. J. (R. F. Hayllar), London

Safi, M. O. (A. M. Hendry), London  
 Sahgal, A. P. (R. A. Coupland), London  
 Sakhuja, H. (C. A. Smith), London  
 Salmon, P. (R. T. Wrieden), London  
 Salt, G. K. (J. D. M. Corbett), Chester  
 Salt, W. (R. G. Beard), Sheffield  
 Salter, J. A. (Miss) (D. H. Dunn), Exeter  
 Sampson, T. H. M. (J. K. Robinson), Workington  
 Samuel, J. R. P. (G. H. Cann), London  
 Sanger, J. G. (K. L. Young), London  
 Saywell, J. A. T. (J. P. Vallance), London  
 Scade, T. I. I. (H. Peat), London  
 Schuldenfrei, P. (A. N. Emanuel), London  
 Scouse, F. J. (R. Gaukroger), Birmingham  
 Scovell, M. G. (H. P. Board), Cambridge  
 Seabrook, T. J. (S. Price), Gloucester  
 Seddon, R. J. (R. B. Jones), Colwyn Bay  
 Seevaratnam, T. (E. J. Danbury), London  
 Sennett, B. R. (A. N. Bass), London  
 Shair, W. A. (J. P. M. Bishop), London  
 Shapiro, J. I. J. (J. V. Crump), London  
 Sharman, J. (G. E. Morrish), London  
 Sharpe, G. W. (C. D. Smith), London  
 Sharpe, J. T. (A. S. Maddison), Birmingham  
 Sharples, W. G. (P. Hampson), Preston  
 Sharrock, D. H. (E. Hodgkinson), Accrington  
 Shaw, P. D. (L. Blackie), London  
 Shaw, T. R. (C. G. Johnston), London

Sheppard, J. L. (D. A. Ponsford), Winchester  
 Shields, A. J. (E. M. Kevehazi), London  
 Shorter, G. T. M. (R. W. L. Eke), London  
 Shrubsall, R. F. (C. Romer-Lee), London  
 Sills, C. D. (W. R. Tomkinson), London  
 Simmonds, M. (J. S. Lake), London  
 Simmons, B. W. (T. D. Redhead), London  
 Simpson, I. D. (G. G. Smith), Huddersfield  
 Sivalingham, M. (L. Stockman), London  
 Sivers, R. G. (F. Adams), London  
 Skeeles, J. W. (P. T. Baly), London  
 Skidmore, T. (J. Reddaway), Exeter  
 Skinner, R. A. (J. C. Hill), Plymouth  
 Sleater, W. (G. Hey), Manchester  
 Slee, T. W. (A. H. Brown), Fordingbridge  
 Slobom, D. L. (T. E. Entwistle), Liverpool  
 Smith, A. F. (A. W. Sarson), London  
 Smith, A. R. (W. Murphy), Loughborough  
 Smith, B. G. (D. J. Martin), London  
 Smith, G. (L. G. Davies), Liverpool  
 Smith, G. M. (D. S. Osborne), Birmingham  
 Smith, P. J. (C. G. E. Pryke), London  
 Smith, R. B. (W. G. Sporie), Manchester  
 Smith, R. N. (R. A. C. Norris-Jones), London  
 Smith, R. S. (L. C. Bye), Middlesbrough  
 Smith, S. V. (Miss) (A. S. Hill), Coventry  
 Smouha, B. A. (J. F. Taylor), London  
 Snowball, J. E. (C. Fox), Sunderland  
 Soerakoesoemah, M. (P. J. Digby), London  
 Solomon, E. S. E. (G. Selby), London  
 Solomon, H. M. (C. H. Tyson), Brighton  
 Somers, H. S. (C. J. Auerbach), London  
 Sotiris, R. L. (F. A. H. Skinner), London  
 Sparkes, T. M. (J. B. Butterworth), Bridgwater  
 Speakman, T. B. (K. A. Jones), London  
 Speed, J. E. M. (G. P. L. Hudson), Stroud  
 Spouse, W. R. (C. E. M. Hardie), London  
 Spratt, P. F. (C. F. Hughes), Walsall  
 Spring, G. G. (K. W. S. Clark), London  
 Squires, R. F. (J. D. Winter), Retford  
 Stainforth, N. D. M. (S. M. Duncan), London  
 Stamp, E. G. M. (R. P. Winter), Newcastle upon Tyne  
 Stanford, T. J. F. (W. H. Olivier), Sheffield  
 Stedman, J. R. (R. G. Pegler), London  
 Stern, M. C. (S. J. Bressloff), London  
 Sterry, J. A. (C. W. Smith), London  
 Stevens, D. (A. G. Stoughton-Harris), London  
 Stevenson, P. H. (J. W. Hardy), Nottingham  
 Stewart, M. O. L. (H. L. Pedley), London  
 Stobbs, G. N. (P. Gardner), Newcastle upon Tyne  
 Stobbs, R. A. C. (H. J. Sargeant), West Hartlepool  
 Stocks, F. W. R. (G. W. Dunkerley), London  
 Stockton, J. W. B. (T. S. Raw), Darlington  
 Stone, R. (M. Cooper), London  
 Stonell, M. R. (Miss) (M. A. Edwards), Dorchester  
 Stott, E. (G. A. Dennis), Manchester  
 Stovold, B. S. C. (W. R. Middleton), London  
 Stovold, T. J. T. (G. D. F. Dillon), London  
 Strain, B. H. S. J. (C. W. Allan), Bradford  
 Strang, M. R. (J. G. W. Manners), Middlesbrough  
 Stream, J. S. (R. F. Gentry), Seaford  
 Stroth, J. (F. Collis), London  
 Strong, C. M. (B. A. Maynard), London  
 Strover, J. Y. R. (C. C. L. Randall), London  
 Stubbs, J. (B. C. Tarry), Wellingborough  
 Sturge, S. H. (Sir Harold Gillett), London  
 Sugarman, M. (R. F. W. Sheraton), Brighton  
 Sully, J. M. (E. Holehouse), Nottingham  
 Sutcliffe, R. A. (W. W. J. Tinker), London  
 Suter, D. W. (formerly with R. A. Pearce, deceased), Yeovil  
 Sweet, G. E. (E. D. Sanders), Liverpool  
 Sykes, K. A. M. (E. P. D. Taylor), Liverpool  
 Syrratt, L. F. (A. E. H. Benard), London

Tallon, D. S. (Y. A. Tudball), London  
 Tanner, J. A. (C. P. Barrowcliff), Middlesbrough  
 Taylor, G. W. (J. Maw), Sunderland  
 Taylor, H. W. (J. D. Baker), Walsall  
 Taylor, J. N. R. (B. M. Frazer), Liverpool  
 Taylor, R. G. (G. W. Currie), Blackpool  
 Taylor, W. B. (Miss G. E. M. Dodsworth), York  
 Tew, C. C. (J. A. Hilton), London  
 Thakrar, R. L. (J. A. G. Sizmur), London  
 Thein, M. M. (T. J. Newman), London  
 Thom, T. R. (T. R. T. Bucknill), London  
 Thomas, A. G. (S. C. Thomas), Liverpool  
 Thomas, J. R. (J. G. Powell), Swansea

Thomas, P. K. (I. F. Halliday), Huddersfield  
 Thomas, R. F. (H. P. Patterson), London  
 Thomas, R. N. (G. A. Williams), Newport, Mon.  
 Thompson, B. (L. B. Gardiner), Dudley  
 Thompson, D. M. (F. B. Murray), Birmingham  
 Thompson-McCausland, B. M. F. (J. Perfect), London  
 Thomson, I. K. C. (D. C. Burling), London  
 Thomson, J. W. (R. W. C. Dunn), Birmingham  
 Thomson, R. P. A. (E. S. Prince), London  
 Thorne, G. A. (I. A. Wallace), Brighton  
 Tomlinson, J. (R. S. Davis), Manchester  
 Toulmin, J. T. (F. C. Toulmin), Timperley  
 Trapnell, M. J. (S. Vary), Reading  
 Travers, T. C. (D. A. Clarke), London  
 Trent, B. F. (H. B. C. Smith), London  
 Trill, P. J. (W. H. V. Witcher), Reading  
 Truby, W. G. (H. A. Davies), Bristol  
 Trueman, J. H. (W. F. Miles), Birmingham  
 Tunwell, R. A. J. (J. G. Simpkins), Exeter  
 Turnbull, G. (P. G. Brown), Sunderland  
 Turner, J. D. (J. S. Brearley), Halifax  
 Twinn, L. (T. R. Robinson), Sunderland  
 Tyler, G. (E. Holehouse), Nottingham

Uku, B. J. A. (S. E. Boler), Sheffield  
 Umney, R. C. (H. L. Brown), London  
 Underwood, B. R. (J. B. Worley), London  
 Upshall, J. (K. Davies), London

Vaisey, N. H. (D. Neal), Birmingham  
 Vandome, M. J. (S. A. Letts), London  
 Vaughan, P. T. (D. R. Cole), London  
 Veal, P. C. B. (D. D. Rae Smith), London  
 Vernon, R. W. P. (R. Philp), London  
 Vogl, A. F. (D. G. W. Ballard), London

Waite, G. E. G. (B. Keohane), Newport, Mon  
 Wakefield, C. (I. F. Halliday), Huddersfield  
 Waldman, N. D. (V. S. Craig), London  
 Walker, G. M. (A. M. Walker), London  
 Walker, W. B. F. (deceased) (J. C. Brown), Manchester  
 Waller, M. G. (A. B. Lucas), London  
 Wallis-Hosken, R. St. J. (H. A. Hawes), London  
 Wappat, A. (J. Lamb), Newcastle upon Tyne  
 Ward, G. K. (F. C. Pendleton), Nottingham  
 Watkins, S. E. (Mrs) (A. J. Leach), Hereford  
 Watson, D. T. (F. E. Francis), Leamington Spa  
 Watson, M. R. (C. Bacon), Derby  
 Watson, N. B. (A. A. Davies), Birmingham  
 Watson, T. (D. M. Jones), Hull  
 Waywell, R. B. (T. H. Bell), Manchester  
 Weaver, D. J. (N. F. C. Willey), London  
 Webb, J. R. (R. L. Davis), London  
 Webb, N. P. (C. J. B. Andrews), Bournemouth  
 Webster, J. S. (W. S. W. Fone), London  
 West, D. W. (A. Bedford), London  
 West, S. R. (D. L. Combridge), London  
 Westmacott, R. C. (E. R. Nicholson), London  
 Whale, A. (C. F. Baker), London  
 Wheatcroft, C. (C. D. Smith), London  
 Wheatley, A. R. R. (O. J. Lowe), Leigh  
 Wheeler, D. K. A. (C. W. Griffin), Cardiff  
 Whelan, M. J. (B. Hepburn), London  
 Whewell, R. W. (R. Fawcett), London  
 White, A. A. H. (O. W. Horne), Portsmouth  
 White, D. E. (M. S. Bradford), London  
 Whitelegg, J. R. (B. W. T. Cooper), Bolton  
 Whowell, R. H. (R. A. Haigh), Leicester  
 Wickens, R. (N. M. Askwith), London  
 Widdowson, K. J. (J. M. Farley), Bradford  
 Wilde, G. S. (R. Watson), Liverpool  
 Wilkinson, A. K. (F. Gregg), Manchester  
 Wilks, W. H. G. (J. T. Corbett), London  
 Williams, C. V. K. (R. F. Sumner), London  
 Williams, D. A. (Miss) (J. Townsend), Liverpool  
 Williams, E. K. (D. B. Webster), Sheffield  
 Williams, H. G. (R. C. G. Tibbles), London  
 Willott, D. H. (M. E. Lermitt), London  
 Willoughby, P. J. (W. E. Emms), London  
 Wilshaw, P. G. H. (J. R. F. Williamson), London  
 Wilson, C. (E. Chapman), Blackpool  
 Wilson, J. W. (J. Thornton), Lancaster  
 Winburn, M. (D. Smith), Leeds  
 Winslow, G. C. (J. C. MacGregor), Liverpool  
 Withers, J. N. (A. C. Sharp), Leicester  
 Withers, R. W. (A. C. Tooke), London  
 Woodal, J. A. (E. S. Thorn), London

Woods, D. R. (G. Hey), Manchester  
Woods, R. F. (M. F. Moore), London  
Wooten, D. A. (D. E. Ryland), London  
Wright, A. P. (A. H. Smalley), Coventry  
Wright, D. J. (J. G. Austin), Leicester  
Wright, M. D. (V. A. Tubball), London  
Wright, N. E. W. (L. R. Elcombe), London  
Wright, R. V. A. (S. A. Letts), London

**944 Candidates passed**

Yeomans, G. (F. L. Wyatt), Manchester  
Young, D. (A. I. McBroom), Sheffield  
Young, P. J. (H. M. Pritchard), Birmingham  
Young, S. (J. W. Lodge), Truro  
Youngman, C. M. (A. L. Sandeman-Allen), Halesworth  
Youngs, G. A. (G. C. Wood), March  
Yuen, H. H. M. (H. Peat), London  
Yung, K. C. S. (S. G. Sillem), London

**992 Candidates failed****INTERMEDIATE EXAMINATION****Certificates of Merit and Prizes Awarded**

*First Certificate of Merit, the Institute Prize, the Stephens Prize and the Plender Prize for the paper on General Commercial Knowledge*  
Parritt, Clive Anthony (J. Heaford), London

*Second Certificate of Merit and (equal with one other) the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)*  
Hardy, George James Allan (J. Sims), London

*Third Certificate of Merit and the Tom Walton Prize*  
Hales, Colin James (C. R. Tallon), London

*Fourteenth Certificate of Merit*  
Davis, David William (S. J. Bennett), London

*Fourth Certificate of Merit and the Flight-Lieutenant Dudley Hewitt, D.F.C., Prize*  
Adams, Peter John (J. A. Allen), London

*Fifteenth Certificate of Merit*  
Biggs, Michael Richard (G. W. Tyrwhitt-Drake), London

*Fifth Certificate of Merit and (equal with one other) the Plender Prize for the paper on Taxation and Cost Accounting*  
Murcott, Peter William (H. B. Jones), Maidenhead

*Sixteenth Certificate of Merit*  
Aslam, Sheikh Mohammad (I. A. D. Lyle), London  
Blanchard, David William Forbes (R. S. Waldron), London

*Sixth Certificate of Merit and (equal with one other) the Plender Prize for the paper on Book-keeping and Accounts (Limited Companies)*  
Clower, Michael Richard (W. J. N. Sherratt), Chester

*Eighteenth Certificate of Merit and the Frederick Whinney Prize*  
Wells, David George (J. V. Morris), London

*Seventh Certificate of Merit*  
Condon, Peter Gerald (W. R. Doherty), Birmingham

*Nineteenth Certificate of Merit and the Plender Prize for the paper on Book-keeping and Accounts (Partnership)*  
Beck, Robert Bernard (B. R. Hartley), Nottingham

*Eighth Certificate of Merit*  
Gregory, Thomas Arthur William (D. H. Dunn), Exeter

*Nineteenth Certificate of Merit*  
Challen, Stephen Henry (S. V. Lancaster), Birmingham

*Ninth Certificate of Merit and the Plender Prize for the paper on Auditing*  
Siddiqi, Sarfaraz Husain (J. C. Wheeler), London

*Twenty-first Certificate of Merit*  
Eiref, Zvi (E. E. P. Maltby), London  
Pattni, Bhupatrai Narshidas (J. N. Gray), Birmingham

*Tenth Certificate of Merit*  
Ahmed, Sajjad (F. J. Smith), London  
Oyediran, Cecil Oyeniye Olurotimi (D. C. Hobson), London

*Twenty-third Certificate of Merit*  
Crawford, Peter Noel (J. H. Wood), Bishop Auckland  
Sheldon, Paul Godfrey Ellis (R. C. Shelley), London

*Twelfth Certificate of Merit*  
Nelson, Richard Campbell (A. G. B. Burney), London

*Plender Prize for the paper on Book-keeping and Accounts (Executors/ship)*  
London, Adrian Quentin (F. T. Heath), London

*Thirteenth Certificate of Merit*  
Pain, Anthony George (E. J. Frary), Luton

*Plender Prize (equal with one other) for the paper on Taxation and Cost Accounting*  
Holmes, Christopher John (R. G. O. Rew), Horsham

**Full List of Names of Successful Candidates**

(The name shown in brackets is the name of the principal to whom the clerk has been articled. Where the name of the principal is not given the candidate is a former bye-law candidate of the Society continuing his qualifying service not under articles.)

Abbott, J. J. (F. J. Eves), Colchester  
Abeyuriya, L. (M. Van Straten), London  
Adams, D. W. (A. W. Dyer), London  
Adams, P. J. (J. A. Allen), London  
Adams, R. (J. Godfrey), London  
Adams, R. J. (D. E. Gibbs), Bristol  
Addison, M. (A. V. J. More), Manchester  
Adeloye, J. I. (G. P. Griffith), London  
Adler, D. H. (H. E. Traylen), London  
Agg, J. C. (B. C. Dixie), London  
Ahmad, A. (J. M. E. King), Manchester  
Ahmad, K. R. (R. L. Malcolm), London  
Ahmad, S. (F. J. Smith), London  
Aileru, N. K. (W. J. Campbell), Hull  
Akhtar, S. (T. Callon), St Helens  
Alexander, C. M. (R. G. Bell), Oxford  
Ali, R. Z. (G. B. Porter), London  
Ali, S. I. (W. L. L. Smith), London  
Ali, S. M. (P. C. Watt), London  
Allaby, E. P. (Miss) (H. J. Wakelin), Lichfield  
Allan, R. B. (J. P. Grenside), London

Allen, G. (S. C. Mallett), Birmingham  
Allison, D. I. (F. J. Fullerton), Leeds  
Allsopp, K. (B. H. Brewill), Nottingham  
Ambrose, D. M. T. (C. L. I. Adam), London  
Angel, R. G. (P. W. Phillips), London  
Appleyard, H. R. (D. P. Everitt), Grimsby  
Arter, D. P. G. (H. W. V. Pullan), London  
Ashton, P. M. (E. Satterthwaite), Bootle  
Askey, J. S. (G. J. R. Sutton), Washington  
Aslam, S. M. (I. A. D. Lyle), London  
Aspinall, D. C. (P. G. Livesey), Manchester  
Astill, J. T. (J. L. Gieve), Wolverhampton  
Atkinson, A. H. G. (D. L. Evans), London  
Attwell, W. A. (J. Y. Titmuss), London  
Atwood, R. C. (C. D. Smith), London  
Aucott, T. B. (F. G. Cox), Walsall  
Aylert, B. S. (H. T. Scothorne), Nottingham  
Ayres, R. M. (T. R. Hoddell), Nuneaton

Baggott, M. A. W. (E. A. Norman), Worcester  
Bahl, A. (O. H. Smith), Hungerford

- Bailey, C. J. C. (J. P. C. Richardson), London  
 Bailey, J. (K. A. Pollock), Rochester  
 Bailey, J. M. (Miss) (L. O'B. Deacon), London  
 Bailey, R. J. (A. E. B. Foxwell), Kettering  
 Bailly Gibson, M. S. (C. J. M. Bennett), London  
 Baird, J. D. (A. H. B. Wood), London  
 Baker, H. L. (J. D. Jones), Bournemouth  
 Ball, C. J. (W. E. Ellison), Leeds  
 Ball, G. A. (D. M. Parkes), Bristol  
 Ballinger, B. A. (H. E. C. Andrew), Leamington-Spa  
 Balogun, J. A. (M. R. Jackson), London  
 Banks, R. D. W. (J. A. Laverack), Lincoln  
 Banks, S. R. G. (P. Cozens), Walsall  
 Barclay, A. D. W. (P. P. Barber), Birmingham  
 Barker, W. (T. C. Middleton), Newcastle upon Tyne  
 Barnard, S. M. (Miss) (M. R. Nathan), London  
 Barnes, J. P. (C. E. West), London  
 Barnett, L. P. J. (H. R. P. Thompson), Rugby  
 Barr, F. (J. E. K. Clarke), London  
 Barr, L. (J. E. K. Shaw), London  
 Barratt, R. J. (G. E. Hern), Leicester  
 Barrett, A. J. (M. F. Hudson), London  
 Barron, J. G. (P. G. Barber), London  
 Barrow, J. D. (K. Russam), Bradford  
 Bartlett, A. J. (A. Darvill), Slough  
 Barton, B. O. (J. F. Shuttleworth), London  
 Barton, C. S. (G. B. Coop), London  
 Baskin, S. (G. C. Ratnage), London  
 Bason, R. E. (V. F. Berry), London  
 Battams, J. (R. Brandt), London  
 Bate, D. H. (C. F. M. Hawkins), Bristol  
 Bates, K. R. (H. Tuckey), Birmingham  
 Bates, M. J. (R. Piercy), Birmingham  
 Batten, J. R. (A. E. D. Tribe), Bristol  
 Baxendale, A. W. (H. Burrows), Blackburn  
 Bayman, P. A. R. (D. H. Rooke), London  
 Beacon, T. W. H. (R. J. Wheeler), Poikestone  
 Beale, J. F. R. (G. E. Nicholls), Winchester  
 Beaman, M. S. (A. L. Allsopp), Shrewsbury  
 Bean, K. J. (J. A. Laverack), Lincoln  
 Beard, A. (A. Dawson), Sheffield  
 Beck, R. B. (B. R. Hartley), Nottingham  
 Beech, W. (K. B. Clark), Sheffield  
 Beecroft, R. C. V. (P. Lawrence), London  
 Beharry, B. (E. J. Nicholls), London  
 Bejide, E. O. (C. Pegg), London  
 Belcher, M. F. (Miss) (L. J. W. Gould), London  
 Bell, G. (N. A. Hemmingfield), Sheffield  
 Bell, M. R. J. (R. S. Waldron), London  
 Bell, W. M. (H. A. West), Berwick-on-Tweed  
 Bellamy, E. G. (R. H. Clements), London  
 Bennett, J. W. (E. L. Bates), Leicester  
 Benning, E. Y. (S. Berman), London  
 Benson, P. M. (J. F. Shearer), London  
 Bernstein, D. A. (E. B. Palmer), London  
 Bernstein, G. (M. Gordon), London  
 Bertorelli, J. R. B. (V. J. Cooke), Burnham-on-Sea  
 Bester, R. E. (K. E. Davis), Enfield  
 Bew, A. K. (Mrs P. L. Golby), Newbury  
 Beynon, W. G. (S. A. Holyland), Leicester  
 Bicknell, G. J. (G. H. D. Evans), Weston-super-Mare  
 Biggs, M. R. (G. W. Tyrwhitt-Drake), London  
 Bigland, D. H. (J. Wardle), Ilkeston  
 Billing, G. J. (I. M. MacDonald), London  
 Birchall, A. J. (A. F. Hannam), Cardiff  
 Bird, I. S. (G. M. Barr), Doncaster  
 Birtles, R. A. (J. V. Eastwood), Manchester  
 Bishop, C. (R. E. Sale), Gloucester  
 Bishop, J. M. (K. M. Eames), Bournemouth  
 Blackburn, P. H. (J. Dolan), Bradford  
 Blake, H. M. (Miss) (A. T. Dowd), Manchester  
 Blanchard, D. W. F. (R. S. Waldron), London  
 Blunden, P. S. (L. H. Clark), London  
 Blyth, D. (J. V. Hansford), Manchester  
 Bolton, I. M. (J. R. N. Travis), Manchester  
 Bolton, T. P. (P. S. Tanswell), Twickenham  
 Bonham, A. K. (D. W. Jennings), Bristol  
 Boore, R. P. (R. F. Sumner), London  
 Booth, F. A. (E. P. R. Ainsworth), Cheadle  
 Booth, G. J. (N. R. Skidmore), Wolverhampton  
 Boswell, B. P. (P. D. Jones), London  
 Bothamley, B. M. (T. G. Rimington), Leicester  
 Boucher, C. A. (A. D. Saward), London  
 Boulton, J. H. (M. W. Rosser), Swansea  
 Bourke, A. J. (R. M. Evans), Birmingham  
 Bourne, A. C. A. (R. E. Warlow), London  
 Bower, M. S. (W. P. Brightman), Manchester  
 Bowles, M. I. (B. Gilbert), London  
 Bowman, G. R. (W. S. Tate), Newcastle upon Tyne  
 Bowman, N. R. (P. A. Elliott), London  
 Bown, F. E. (M. Walters), London  
 Boyer, R. (K. Campbell), Liverpool  
 Bradford, J. P. B. (H. S. Davies), London  
 Braganza, K. E. (C. F. Earnshaw), Nantwich  
 Bragg, W. F. E. (P. Robinson), London  
 Brahm, B. P. (L. L. King), London  
 Braithwaite, D. A. (J. D. Askew), Cheltenham  
 Bratton, N. D. (L. S. Wrightson), Grimsby  
 Brennan, A. (E. R. Funnell), London  
 Brent, A. R. (A. E. Donnelly), Gosport  
 Bridgen, T. J. (L. J. L. I. Judson), London  
 Brimble, J. G. (F. W. L. Phillips), Chatham  
 Britton, D. J. (T. E. Caro), Manchester  
 Broadway, M. R. (W. D. Menzies), Kingston upon Thames  
 Broderick, D. N. (N. Townsend), Goole  
 Brodie-Smith, A. I. (H. B. Vanstone), Manchester  
 Brookes, C. R. (H. J. F. Radford), Southampton  
 Brooks, B. (J. H. Sisson), London  
 Brooks, E. L. (R. M. Peat), London  
 Brooks, J. P. (Sir Thomas Robson), London  
 Brown, D. B. (W. Griffiths), London  
 Brown, G. S. G. (D. E. Abrams), Tonbridge  
 Brown, H. D. (R. Fawcett), London  
 Brown, J. A. S. (H. P. Green), London  
 Brown, N. R. (H. O. Johnson), Bath  
 Brown, R. G. (H. S. Ballam), Ipswich  
 Brown, R. G. C. (E. C. Graham), London  
 Brumwell, R. A. (C. J. Holliday), Stroud  
 Buckley, R. (A. R. Collinge), Bacup  
 Burgess, T. P. (B. A. Maynard), London  
 Burke, I. D. H. (J. R. Summerskill), Liverpool  
 Burke, R. R. (W. H. T. Udall), Poole  
 Burn, R. J. (S. B. Benbow), Birmingham  
 Burridge, N. R. (J. D. W. Marie), Bristol  
 Burton, A. W. R. (B. A. Maynard), London  
 Busby, A. G. (P. J. M. Mortlock), Grays  
 Butcher, D. H. L. (A. B. L. Murison), London  
 Butcher, J. V. C. (H. S. Stafford), Manchester  
 Butterworth, R. (A. Pannett), Manchester  
 Byron, S. (W. G. Milton), Wembley  
 Bywater, G. J. (J. T. Chamberlain), Birmingham  
 Cadwallader, D. (T. Thornton), Burnley  
 Cameron, H. (A. W. Riley), London  
 Campbell, G. D. (G. N. Knowles), Winchester  
 Campbell, J. H. D. (W. B. Paton), London  
 Candler, J. A. (D. F. Gay), London  
 Cantello, A. J. (A. F. B. Ham), Bristol  
 Capper, R. G. (H. A. Morley), Nottingham  
 Capps, R. V. (R. B. Leech), Coventry  
 Cardiff, A. R. (E. L. Ashton), Liverpool  
 Cardwell, S. J. P. (G. C. Ehlers), Bristol  
 Carey, A. N. R. (F. W. Berrington), Bromley  
 Carlton, E. H. (Miss) (G. F. B. Peirson), Coventry  
 Carter, C. J. (L. J. Bentley), London  
 Carter, J. (R. H. Morcom), London  
 Cartwright, I. K. (D. D. Williamson), London  
 Cartwright, P. R. (J. D. Jasper), Cradley Heath  
 Carver, J. H. (A. S. Thorpe), Leicester  
 Cash, M. (T. L. Mylechreest), Douglas  
 Castell, P. R. (The Hon. J. W. Remnant), London  
 Caterham, J. R. (C. C. Bullock), Stoke-on-Trent  
 Caton, J. A. (A. D. Chegwidan), Ilford  
 Catt, G. J. (J. Smurthwaite), London  
 Cattell, E. D. (E. D. McMillan), London  
 Cavendish, N. C. (The Hon.) (H. Moore), London  
 Cawdron, P. E. B. (R. G. Leach), London  
 Cawson, J. P. (G. Whitehead), Newcastle upon Tyne  
 Cawte, T. D. (T. P. Coatsworth), London  
 Cecil-Gibson, M. P. (P. Ewen), London  
 Challen, S. H. (S. V. Lancaster), Birmingham  
 Chambers, R. W. (W. L. Farr), Nottingham  
 Chandler, B. R. (P. Jeffery), Warrington  
 Chapman, A. C. (Miss) (D. H. Harding), London  
 Chapman, J. M. (H. E. A. Rolt), London  
 Chartres, M. D. (C. A. Sandon), London  
 Chaytor, A. A. F. (S. J. Chaytor), Liverpool  
 Chirimar, B. K. (J. E. K. Clarke), London  
 Choudhury, A. H. (K. Pilling), Bolton  
 Christian, N. H. G. (R. P. Jelks), Liverpool  
 Clack, V. J. (Miss) (K. W. Clark), Reading  
 Clark, C. D. (D. D. Rae Smith), London  
 Clark, J. C. (J. S. Copeland), London  
 Clark, J. W. (J. S. Braime), Leeds

- Clark, N. I. K. (E. T. Worsley), Birmingham  
 Clark, W. (G. P. Bradbury), Bournemouth  
 Clarke, B. J. (F. H. Pledge), London  
 Clegg, J. O. (A. Golland), Rochdale  
 Clegg, R. D. (E. Moss), Accrington  
 Clemas, V. E. (C. A. Brisley), London  
 Cliff, W. M. (B. W. T. Cooper), Bolton  
 Clower, M. R. (W. J. N. Sherratt), Chester  
 Cocker, J. A. (G. S. Major), Birmingham  
 Coffey, R. C. (R. Keene), London  
 Coffey, C. E. (N. Kirkman), Leeds  
 Cohen, C. (P. E. Kanas), Manchester  
 Cohen, L. S. (J. E. Fischer), Liverpool  
 Coker, G. E. (N. A. Handley), West Bromwich  
 Colbourne, C. J. (J. Clapton), Salisbury  
 Cole, B. (S. Harrison), London  
 Cole, D. G. (F. E. K. Conway), Bristol  
 Cole, J. S. (J. Godfrey), London  
 Collier, S. (R. Francis), London  
 Collinge, R. A. (A. R. Collinge), Bacup  
 Collins, D. A. (C. A. Butt), Leamington Spa  
 Collins, W. (F. L. S. Pickard), London  
 Collinson, C. R. (R. G. Collinson), Hull  
 Colson, D. J. (M. N. Goldberg), London  
 Compson, C. J. (F. Steward), Ipswich  
 Condon, P. G. (W. R. Doherty), Birmingham  
 Connolly, T. R. (K. S. Moore), London  
 Cook, J. W. (J. C. Allman), Birmingham  
 Cook, M. F. (J. L. C. Plowman), London  
 Cookson, G. J. (H. G. Mack), London  
 Cooper, A. J. C. (V. D. Wykes), London  
 Cooper, D. R. W. (H. E. Marshall), Portsmouth  
 Copeland, R. N. (W. J. G. Abbott), Gloucester  
 Copley, M. (E. J. Gamble), London  
 Copping, F. J. B. (G. Maidland Smith), London  
 Corb, M. (E. M. Kevehazi), London  
 Cordeiro, K. A. (N. E. Rees), London  
 Corke, D. A. (G. H. Hovey), London  
 Cotter, J. F. (F. C. Davey), Whitstable  
 Cotton, A. R. (J. R. F. Williamson), London  
 Cottrell, A. F. (F. N. Cottrell), Eastbourne  
 Cottrill, D. R. (G. W. Percival), Birmingham  
 Coulson, J. C. (J. L. Wells), Kettering  
 Courty, B. R. (G. H. Pratt), Workington  
 Covell, C. A. (Miss) (B. D. Barton), London  
 Cowan, L. (I. Cedar), London  
 Cowan, N. (F. Goldstein), London  
 Cowan, S. (R. D. Taylor), London  
 Cox, B. J. (A. B. Sandal), Wisbech  
 Cox, D. B. (P. L. Neild), London  
 Cox, K. A. (A. C. Shay), London  
 Crawford, P. N. (J. H. Wood), Bishop Auckland  
 Crawley, J. D. (P. G. Wilde), Torquay  
 Cremin, D. J. P. (J. McMurray), Manchester  
 Crewe, J. E. (G. A. L. Hancock), Bournemouth  
 Cripps, D. M. (A. J. Smee), London  
 Cropper, J. A. (T. C. Capey), Newcastle upon Tyne  
 Crossley, K. (H. P. Board), Cambridge  
 Crowther, J. A. (J. Mather), Chesterfield  
 Crump, E. M. (A. Brown), Wilmslow  
 Cummings, S. W. J. (D. L. Evans), London  
 Cunynghame, A. D. F. (C. I. Steen), London  
 Cutler, D. R. (J. O. Attlee), Dorking  
 Cutler, G. E. (J. Newman), Birmingham
- D'Aeth, M. E. (Miss) (J. C. MacGregor), Liverpool  
 Daniels, K. B. (J. S. L. Springbett), London  
 Dare, A. G. (P. S. Newman), Brighton  
 Darroch, J. F. (C. M. Calverley), London  
 David, M. R. (J. C. M. Williams), Swansea  
 Davidson, M. S. (J. S. Paine), London  
 Davies, A. I. J. (R. I. Pooles), Richmond, Surrey  
 Davies, J. R. (D. Oakes), Liverpool  
 Davies, K. (D. E. Brewster), London  
 Davies, P. W. H. (B. J. Herring), London  
 Davis, D. W. (S. J. Bennett), London  
 Davis, P. W. E. (Dewdney), Bristol  
 Davison, P. (T. W. Mackrill), Hull  
 Davison, S. I. (D. A. P. Gould), Norwich  
 Dawson, J. A. (J. H. Worth), Northwich  
 Day, A. (D. Hills), Ashford  
 Deakin, J. F. (J. S. Page), London  
 Deether, J. F. C. (A. D. Seward), London  
 Dellar, P. G. (H. L. Bloom), London  
 Dernie, C. T. (H. C. Jackson), Sheffield  
 Desai, S. R. (W. H. Shears), London  
 De Vere Gould, P. D. (O. R. L. Barnett), Andover
- Dimmock, N. G. (E. R. Siddle), Taunton  
 Dix, A. S. (S. Berg), Southend-on-Sea  
 Dixon, C. E. (W. G. Brookes), London  
 Donovan, G. (H. B. Clarke), Manchester  
 Dony, H. (A. N. Emanuel), London  
 Dorans, B. R. (H. M. Hawkins), Canterbury  
 Drews, J. S. (F. O. M. Smith), London  
 Drury, L. R. (D. E. Claypole White), Bedford  
 D'Santos, T. A. R. (F. T. Cain), London  
 Duffus, A. I. S. (W. B. S. Walker), London  
 Dugdale, I. D. (B. C. Scurr), Alton  
 Duncombe, D. H. (W. E. Duncombe), St Albans  
 Dunkley, R. P. (R. H. Benbow), Northampton  
 Dunn, J. F. (B. G. Postle), Norwich  
 Durling, R. J. (E. H. M. McGregor), Reading  
 Duthie, R. W. (E. C. Meade), London  
 Dwyer, J. M. (D. A. Holledge), Bristol  
 Dyer, J. P. (R. C. Gilbert), London
- Eagleton, S. W. (C. A. Brisley), London  
 Earnshaw, R. (M. J. Foxwell), Harrow  
 Easton, M. S. (F. Croxson), London  
 Eaves, B. J. (Miss) (W. Y. Thomson), London  
 Edgerton, N. A. (D. R. Chilvers), London  
 Edgley, R. E. (F. R. Dixon), London  
 Edward, J. R. M. (P. F. Granger), Nottingham  
 Edwards, K. A. (N. Hildebrand), London  
 Edwards, P. G. (N. M. Goddard), London  
 Eiref, Z. (E. E. P. Maltby), London  
 Elkerton, I. G. W. (K. B. Stone), Birmingham  
 Elliott, M. C. (Miss) (L. R. Cole), London  
 Ellis, R. A. (D. W. Hobbs), Bradford  
 Elwes, N. R. (R. C. Fripp), London  
 Emery, M. E. (D. S. Lewis), London  
 Engledow, R. C. (N. F. Holland), London  
 Epstein, A. S. (P. Newman), London  
 Epstein, D. (G. L. Eccleshall), London  
 Evans, M. A. (P. Pratt), Tunbridge Wells  
 Everest, R. A. (L. O'B. Deacon), London  
 Everitt, J. V. G. (C. W. Smith), London  
 Ewart-White, D. V. E. (J. R. Paul), London  
 Exton, M. H. (L. S. A. Truman), Weston-super-Mare
- Fairweather, K. M. (H. F. Payne), London  
 Fanko, G. E. (G. Young), London  
 Faulkner, I. R. (D. A. Wild), Manchester  
 Fearnley, I. R. (J. Tinkler), Northampton  
 Fell, G. M. (N. L. R. Trounce), Manchester  
 Fellowes, N. P. J. (G. C. B. Gidley-Kitchin), London  
 Ferguson, D. S. B. (Sir William Lawson), London  
 Fergusson, I. C. (L. Owen), Birmingham  
 Fernor, G. L. (K. F. Paine), London  
 Fernando, P. C. H. (F. E. Hargreaves), London  
 Ferris, M. J. (N. Gurrey), Swindon  
 Ferry, P. D. (D. C. Ferry), Newquay  
 Fetzter, R. W. (L. G. Fetzter), Newcastle, Staffs  
 Ffoulkes-Jones, R. G. (J. A. Owers), London  
 Field, A. E. (R. C. Copeman), Hull  
 Fielden, C. A. (F. A. Sherring), Manchester  
 Fielden, J. (J. R. Wells), London  
 Fielding, J. A. (P. Godfrey), London  
 Finney, J. J. (J. A. Robinson), St Helens  
 Finning, D. S. R. (L. H. Norman), London  
 Firth, G. M. (W. Jones), Stroud  
 Fishleigh, M. J. (M. R. Charlesworth), Bideford  
 Fishpool, P. (H. N. Greene), London  
 Fitch, A. R. (J. D. Liggatt), London  
 Fitchett, D. C. (J. P. C. Richardson), London  
 Fitzhugh, W. A. (T. J. L. Milner), London  
 Flint, W. M. (C. B. Brecknock), Nottingham  
 Flood, N. R. (A. C. D. Miller), Fareham  
 Flower, J. A. (A. H. Leppard), London  
 Folland, G. J. (T. H. Shore), Walsall  
 Fowle, C. J. (R. Cullen), Leicester  
 Fowle, W. M. T. (R. M. Peat), London  
 Fox, M. A. J. (J. B. Martin), Liverpool  
 Fox, R. G. (A. Guild), Coventry  
 Frampton, N. J. (A. D. Atherton), Bridport  
 Franks, S. C. (R. Kay), Manchester  
 Freeman, D. (R. J. Crowe), Newcastle upon Tyne  
 Freeman, D. J. (S. E. Bramwell), Birmingham  
 French, I. J. (R. G. Leach), London  
 French, M. L. (H. A. Sudell), London  
 Fretwell, A. V. (D. W. Hobbs), Bradford  
 Frost, E. H. O. (Mrs) (J. S. Holloway), Wolverhampton  
 Frost, N. D. (P. B. Kirby), London  
 Froude, D. G. (T. W. Light), Warrington

Fryer, J. T. (J. F. Shearer), London  
Fryer, P. K. (D. H. Peed), London

Gabriel, M. C. (R. S. Ransom), London  
Gairdner, M. H. T. (H. J. Binder), London  
Gale, D. V. (E. R. Norman), London  
Gallagher, P. R. (B. Walker), Birmingham  
Gallup, G. A. (G. B. Langford), Petersfield  
Game, P. M. (R. J. Clark), London  
Gandee, B. E. (L. E. Grimshaw), London  
Gardezi, S. I. (P. C. Susskind), London  
Gardner, D. W. S. (D. P. Jones), Gloucester  
Gardner, M. J. (J. T. Friedenthal), London  
Garland, N. (J. F. Taylor), London  
Garner, D. (M. F. Dyson), Huddersfield  
Garrigan, P. J. (D. E. Claypole-White), Bedford  
Gaston, P. J. (G. E. Morrish), London  
Gates, P. A. St. Q. (D. C. Burling), London  
Gay, I. C. (C. P. Perriam), Exeter  
Gemson, M. (F. Stanton), Preston  
Gibbons, J. (F. Croxson), London  
Gibbons, L. A. (M. C. Holmes), Eastbourne  
Gibson, A. (T. H. Pawley), London  
Gibson, R. T. (W. Kirkup), Newcastle upon Tyne  
Gibson, W. McA. (M. B. Hewitt), Leeds  
Gilbert, L. M. (F. W. Lythgoe), Liverpool  
Giles, J. W. (T. H. Shore), Walsall  
Gill, P. M. (Miss) (M. J. Bright), Southampton  
Gillespie, E. W. A. (W. G. C. Oliver), Burton-on-Trent  
Gimson, D. A. (B. Phillips), London  
Giwa-Osagie, V. O. (G. M. Holroyde), Bradford  
Glass, D. A. (D. O. Johnston), High Wycombe  
Glover, H. M. J. (R. G. Roberts), Barnstaple  
Glynn, F. A. (F. L. Wyatt), Manchester  
Godwin, P. L. (R. Garner), Leicester  
Goldhawk, M. E. (D. Colby), Staines  
Goodall, C. R. (V. Matthews), Manchester  
Gore, M. A. (B. W. Vincent), London  
Gosling, C. D. V. (F. B. Proctor), London  
Gould, J. R. B. (T. H. Parker), Manchester  
Gover, A. D. (T. A. Tansley), London  
Graham, B. G. M. (S. Schwartz), London  
Gray, J. B. (H. Yates), Preston  
Gray, L. (A. H. Smith), Spalding  
Gray, R. A. (C. E. Parkinson), London  
Green, C. G. M. (J. W. G. Mitchell), Bradford  
Green, P. C. (K. J. Fuller), Bletchley  
Green, P. W. (A. Cotton), London  
Gregory, T. A. W. (D. H. Dunn), Exeter  
Grey, A. J. A. (M. C. Ainley), London  
Griffin, R. (W. A. Crowe), Douglas  
Griffith, J. C. (M. E. Hatch), London  
Griffiths, A. (G. B. Hodson), Liverpool  
Griffiths, E. (H. G. Griffiths), Pwllheli  
Gudka, N. Z. (F. G. Foley), London  
Gulliford, M. N. (E. L. Crane), Dorking  
Gunson, D. H. (R. H. Earp), Norwich  
Guthrie, I. W. M. (N. L. R. Trounce), Manchester

Hadid, F. M. (P. Godfrey), London  
Hailey, T. R. (D. W. Flitney), Chesham  
Haines, D. N. C. (W. W. Bigg), London  
Hale, J. C. (E. S. Hall), Solihull  
Hales, C. J. (C. R. Tallon), London  
Hall, J. A. (T. S. Mullarkey), Rainham  
Hallah, D. F. W. (C. J. Robinson), London  
Halpern, D. (H. O. H. Coulson), London  
Halton, D. (D. P. Briggs), Middlesbrough  
Hammersley, C. E. (D. F. Harris), Loughborough  
Hamp, E. J. (G. McAllister), London  
Hamper, N. D. (B. E. Hill-Cottingham), Brentwood  
Hampton, D. K. (N. B. Hayman), London  
Hanford, M. J. (C. D. Walker-Arnott), London  
Haniph, S. Z. D. (J. F. S. Rogers), London  
Hanson, I. W. (A. G. Conder), London  
Harben, J. R. (K. J. D'A. Mason), Birmingham  
Hardy, G. J. A. (J. Sims), London  
Harrand, P. M. (M. Broderick), Goole  
Harris, J. D. (H. D. Harris), Coventry  
Harris, M. R. (R. F. George), London  
Harris, R. (T. H. Sanders), Wellingborough  
Harrison, M. J. (E. W. Wells), Preston  
Hart, J. T. L. (H. C. Castle), Birmingham  
Hartley, E. C. F. (K. S. Moore), London  
Hartley, R. V. (R. D. Taylor), London  
Hartridge, D. K. (J. B. W. T. Turner), Windsor  
Hartshorn, R. G. (O. Couse), Birmingham

Harwood, R. F. W. (N. H. Russell), Birmingham  
Hasan, N. (E. D. Lamb), London  
Haynes, J. C. C. (R. M. Peat), London  
Hayward, C. T. E. (F. W. Charles), London  
Hazell, P. (E. R. Siddle), Taunton  
Hazlewood, E. J. (Miss) (D. G. Durgan), Southsea  
Heath, M. (T. T. Nash), Hove  
Henderson, R. S. (W. B. Henderson), London  
Hendriks, I. A. N. (R. W. Brazier), London  
Henman, B. A. (R. A. C. Norris-Jones), London  
Henricksen, R. D. (W. R. Ridgway), Shrewsbury  
Herbert, G. (I. M. MacDonald), London  
Herbert, P. R. (C. A. Sandon), London  
Herrington, I. J. (H. B. Johnson), Dudley  
Herriott, W. G. (R. Philip), London  
Hetherington, R. M. (H. C. Makepeace), Middlesbrough  
Hewett, J. C. (C. Middleton), Glasgow  
Heydon, R. J. (A. G. Elliott), Harrow  
Hicks, R. T. (D. M. Jones), Hull  
Higginson, B. R. M. (T. E. Fay), London  
Higgs, A. B. (F. H. Carter), London  
Hill, A. A. (F. J. Esnouf), London  
Hill, M. (A. E. Lacon), Wolverhampton  
Hill, R. J. (A. R. Stacy), London  
Hillman, P. A. (Miss) (F. I. Edwards), Birmingham  
Hind, R. T. W., Nottingham  
Hindley, M. H. (T. E. Caro), Manchester  
Hindmarch, M. R. (J. S. Groves), West Hartlepool  
Hinkley, J. L. (A. Whittaker), Sunderland  
Hobbs, I. C. (I. W. Frazer), London  
Hobbs, R. M. (E. T. Shepherd), Cardiff  
Hodges, K. B. (S. Jackson), London  
Hodgson, D. A. (J. Hodgson), Keighley  
Holden, C. W. (J. W. Margetts), London  
Holden, R. H. K. (G. E. Morrish), London  
Holder, D. J. (D. W. Newman), Swindon  
Holdstock, J. D. (M. J. Smith), Luton  
Holland, M. K. (J. Palmer), Hull  
Holland, P. (R. E. E. W. Bailey), Bishop's Stortford  
Holmes, C. J. (R. G. O. Rew), Horsham  
Holmes, T. W. (R. Coward), Sheffield  
Holt, G. R. M. (H. J. H. Sisson), Newcastle upon Tyne  
Homer, J. W. P., Birmingham  
Hopkin-Jones, M. J. E. (T. J. L. Milner), London  
Hopkins, A. S. (H. A. Sudell), London  
Hopkins, M. F. (A. R. Cormack), London  
Hopkinson, J. S. F. (H. S. Renton), London  
Hopper, G. (J. V. Baines), Stockton-on-Tees  
Horner, M. F. (W. H. Land), London  
Horrocks, J. T. (A. Holmes), Manchester  
Houston, G. A. C. D. (W. E. Parker), London  
Hubbard, J. M. (D. N. Williams), Birmingham  
Hughes, C. P. (R. W. Brazier), London  
Hughes-Penney, R. (R. A. Deaves), Uxbridge  
Hulland, M. J. (S. B. Smith), London  
Hulme, D. (F. D. Marshall), Manchester  
Hume, B. W. (A. J. Albury), Ashford, Kent  
Humphreys, A. J. (D. B. Buick), London  
Humphreys, P. (R. Gothard), Manchester  
Humphreys, W. (S. Wilson), Keighley  
Hunt, D. M. (F. H. Cropp), London  
Hunt, D. W. (E. Roddis), Sheffield  
Hunter, M. L. (J. F. T. Nangle), London  
Hurley, P. L. (F. J. Esnouf), London  
Hurst, T. J. (J. T. Bootyman), Grimsby  
Husain, N. (R. W. West), London  
Husain, S. M. (P. Peters), London  
Husband, T. (W. Kirkham), Sheffield  
Hutchinson, C. N. (P. R. Hart), London  
Hutt, M. L. (J. Taylor), Newcastle upon Tyne  
Hyam, G. S. (J. W. Vincent), London

Imrie, M. R. (G. E. Bainbridge), Bradford  
Ingmire, D. R. (J. W. Clement), London  
Ishaque, S. H. (R. W. Gorman), London

Jackson, A. K. P. (B. L. Barber), London  
Jackson, P. R. (G. E. Lister), Huddersfield  
James, C. B. (E. C. Jones), London  
Jamieson, M. D. A. (H. Peat), London  
Jardin, L. M. (C. Wallington), London  
Jarrad, M. J. D. (R. V. Fawcner-Corbett), Salisbury  
Jefferson, J. A. (H. K. Easton), Birmingham  
Jeffreys, J. S. (E. W. Burden), Southsea  
Jeffs, H. (J. M. Hammer), Liverpool  
Jenkins, G. B. (D. G. Gordon), Bournemouth  
Jenkins, M. S. (M. Shirley-Beavan), London



Jenkins, P. N. R. (D. M. Elliott), Bournemouth  
 Jenkins, R. E. (A. S. Kennard), Newton Abbot  
 Jessa, A. M. A. (J. Harrison), London  
 Jinkinson, K. B. (J. Wragg), Sheffield  
 Johns, D. S. (P. R. W. Ford), Southampton  
 Johnson, A. H. (E. Johnson), Llandudno  
 Johnson, D. A. (S. G. Prime), London  
 Johnson, D. W. (W. W. J. Tinker), London  
 Johnson, J. R. (P. C. Molineux), London  
 Johnson, K. H. (E. A. Toplis), Grantham  
 Johnson, M. P. K. (A. W. Sarson), London  
 Jones, B. H. (E. C. Malyon), London  
 Jones, C. (S. J. Hull), Coventry  
 Jones, D. C. (H. C. Fooks), Cardiff  
 Jones, D. J. (E. M. Fraser), Newbury  
 Jones, D. L. E. (G. Prosser), London  
 Jones, E. L. L. (J. F. Kelly), Newcastle upon Tyne  
 Jones, G. (C. Pearson), Liverpool  
 Jones, G. L. (D. H. Harding), London  
 Jones, J. M. (G. S. Digby), Colchester  
 Jones, M. D. (A. G. Hirst), Liverpool  
 Jones, M. L. (M. B. Nichols), Bristol  
 Jones, P. W. (I. A. Wallace), Brighton  
 Jones, R. S. G. (W. J. N. Sherratt), Chester  
 Jordan, B. C. (A. A. Millard), Weston-super-Mare  
 Jordan, L. A. (G. D. Hopkinson), Birmingham  
 Joseph, P. (G. B. Umney), London  
 Judd, T. J. (C. W. G. Knight), London  
 Juffs, R. S. (T. R. Marshall), Bedford

Kauntze, R. A. C. (C. M. Jackson), London  
 Kauth, P. M. (D. G. Weston), London  
 Kay, D. G. (W. G. Kay), London  
 Kayode, S. O. (S. P. Quicks), London  
 Keeler, J. A. (P. B. Johnson), London  
 Keen, G. J. (D. A. Blake), London  
 Keene, C. B. W. (W. F. Baines), London  
 Keevil, M. F. (C. E. Hall), London  
 Kelsey, N. J. (A. Cunningham), London  
 Kemsley, P. G. (F. K. Benny), Maidstone  
 Kennard, H. A. (G. A. Cooke), Exeter  
 Kenneally, T. M. J. (R. H. Burdon-Cooper), London  
 Kerley, P. J. (T. L. C. Clarke), Plymouth  
 Key, J. A. (G. E. Mead), Sheffield  
 Khan, A. (D. R. Chilvers), London  
 Khan, I. A. (E. C. Greenbury), London  
 Khan, R. A. (A. G. Mortimer), London  
 Khan, S. (Miss) (A. G. W. Scott), London  
 Khawar, M. A. (R. W. Leigh), London  
 Kidd, J. McA. (D. A. Herbert), London  
 Kieft, A. T. (J. N. Prentice), London  
 Killick, P. A. (M. R. G. Cory-Wright), London  
 Kimber, M. E. (L. T. Eyles), London  
 King, M. S. (S. R. M. Hatson), Nuneaton  
 Kirby, G. M. (J. S. Weyman), London  
 Kirk, D. (J. B. Ellis), Buxton  
 Kirkby, D. A. (W. G. Johnson), Manchester  
 Kirkham, J. D. (W. Kirkham), Sheffield  
 Kirton, J. R. (W. T. Jones), Birmingham  
 Knight, J. R. (J. B. Ransome), London  
 Knox, R. W. (D. J. N. Tschakowsky), London  
 Kuelsheimer, L. C. (E. S. Townley), London  
 Kumar, A. (D. Browning), London  
 Kuok, K. T. A. (J. J. S. Reynolds), London  
 Kyle, P. E. (B. Collins), London

Ladipo, S. (D. E. Hope), London  
 Lalji, A. R. (G. L. Johnson), Bideford  
 Lamb, D. A. (K. H. Glossop), Sheffield  
 Lambert, N. S. (J. Webster), London  
 Lambert, R. (C. Collett), Newcastle upon Tyne  
 Lancaster, J. B. (R. Stokoe), Whitehaven  
 Landray, C. M. M. (Miss) (W. J. Landray), Bath  
 Langdon, R. J. (J. C. Hounsfield), London  
 Langton, R. N. (R. Mitchell), Preston  
 Larder, D. (W. M. Atwood), London  
 Laughland, I. M. (H. D. Milroy), London  
 Lawford, D. A. (D. J. Heacock), Birmingham  
 Lawrence, K. P. (J. G. Hickmore), London  
 Lawson, R. I. (C. E. Sidwell), Harrogate  
 Layade, P. S. A. (F. H. Sterry), Whitley Bay  
 Leach, D. J. E. (H. A. Srell), Bristol  
 Ledger, M. S. (G. Woolfe), Manchester  
 Leggett, M. (E. Heginbotham), Nottingham  
 Lennard, S. C. (J. H. Marshall), Aylesbury  
 Lennox, M. J. M. (J. G. Turner), Huddersfield  
 Leong, P. L. (H. Bennett), London

Lester, R. A. (N. G. Bascombe), Bristol  
 Lever, S. A. L. (G. P. Townend), London  
 Levings, C. J. (A. R. Armstrong), Manchester  
 Levy, C. M. (L. Jacobs), London  
 Levy, M. A. (S. L. Prashker), London  
 Levy, S. R. (T. A. Ogley), Sheffield  
 Lewis, A. J. (P. Llewelyn-Jones), London  
 Lewis, C. V. (M. C. Faircliff), London  
 Lewis, M. W. L. (S. G. Sillem), London  
 Lewis, R. W. (G. B. Bunker), London  
 Li, S. K. (R. T. Walters), London  
 Lightowlers, A. (T. M. Rhodes), Bradford  
 Lim, S. K. (Miss) (S. Cohen), London  
 Limpenny, R. E. (E. J. Danbury), London  
 Line, S. J. (R. H. Wall), Birmingham  
 Ling, D. R. (J. S. Hillyer), London  
 Linge, K. E. (B. A. S. Soole), London  
 Lintott, G. G. (W. G. Frazer), London  
 Littlejohn, A. D. F. (W. G. Medlam), London  
 Livingstone, D. C. (H. J. Smith), Luton  
 Lloyd, J. D. T. (C. B. Brecknock), Nottingham  
 Lock, T. W. (J. Mitchinson), Maryport  
 London, A. Q. (F. T. Heath), London  
 Long-Leather, C. (J. W. Margetts), London  
 Lord, G. (A. R. Collinge), Bacup  
 Lovatt, D. J. (R. H. Field), Wolverhampton  
 Loveridge, V. A. (Miss) (P. Sergeant), Aldershot  
 Lowden, T. P. (B. F. Wheeler), London  
 Lowe, J. M. (W. R. Ward), London  
 Lowe, J. R. (E. B. Power), Birmingham  
 Lowe, R. S. (E. R. March), Blackheath  
 Lucie-Smith, H. H. P. (K. S. Holman), London  
 Luckham, A. A. (P. T. G. Snuggs), Bournemouth  
 Lynall, A. G. (K. J. Emery), Walsall  
 Lynch, J. T. (N. B. Wallis), Nottingham  
 Lyons, R. E. (M. A. Charlton), London

McAdam, K. D. (D. Stuttard), Liverpool  
 Macarthur, A. S. (Miss) (J. A. Sims), Uxbridge  
 McBride, C. I. (J. D. Hebden), Middlesbrough  
 McCaig, J. (G. S. Norris), Liverpool  
 McCarthy, R. H. (L. V. Slater), Cambridge  
 McDowell, S. (A. C. Sharp), Leicester  
 McEwan, I. P. (R. H. Wall), Birmingham  
 McEwan, K. D. (A. J. Webster), Manchester  
 McGlogan, J. (M. E. Roberts), Leeds  
 McGuire, B. A. (W. S. Godfrey), London  
 McInnes, I. W. A. (P. H. Smith), London  
 McKendrick, R. (Miss) (T. W. Pickard), Cardiff  
 Mackenzie, I. (J. W. Berriman), Middlesbrough  
 McKnight, A. J. (W. Parker), Burnley  
 MacIachlan, J. R. B. (D. H. M. Jones), London  
 MacIennan, H. H. (R. G. Pegler), London  
 McMyn, J. A. (F. W. Charles), London  
 McNee, C. J. F. (M. U. Guest), Canterbury  
 McNeil, D. K. (J. K. Robinson), Workington  
 Magee, N. J. (N. H. Davis), London  
 Maguire, P. (E. D. Q. D'Alton), London  
 Mahon, J. MacM. (G. W. Dunkerley), London  
 Majithia, D. R. (S. Geller), London  
 Majumdar, S. K. (T. R. T. Bucknill), London  
 Malik, E. H. (L. Royle), Manchester  
 Mallard, R. F. (K. J. D'A. Mason), Birmingham  
 Maloney, J. A. d'A. (E. R. Nicholson), London  
 Man, N. A. (H. Wadie), London  
 Manning, A. E. (G. Barrett-Jones), Evesham  
 Mariner, S. C. (J. P. B. Martin), Winchester  
 Marinho, A. S. (A. G. B. Burney), London  
 Marr, R. B. (I. C. Storey), South Shields  
 Marriner, N. H. (B. H. Armitage), Leeds  
 Marsh, E. N. (C. F. Earnshaw), Nantwich  
 Marshall, A. J. (K. G. M. Harding), Liverpool  
 Marshall, J. W. (W. H. D. Campbell), London  
 Marshall, R. C. (L. H. Norman), London  
 Martin, J. E. (E. A. Howard), Norwich  
 Martin, P. (C. H. Duff), London  
 Masefield, R. J. (J. R. Y. Madeley), Birmingham  
 Maskell, P. A. (Miss) (J. S. Black), London  
 Masen, D. (Miss) (G. Morgan), London  
 Mason, J. H. M. (S. Cooke), Farnham  
 Matthews, H. N. (F. W. Charles), London  
 May, B. C. (A. W. Busby), Camborne  
 Mayes, P. R. (G. C. Peat), London  
 Maynard, M. R. (D. E. Abrams), Tonbridge  
 Mayo, M. F. (W. A. Hand), London  
 Mbanefo, U. (R. F. Sumner), London  
 Meakin, A. L. (C. St. J. Frost), Clacton-on-Sea



- Mee, R. A. (J. S. Sayer), Birmingham  
 Mehra, A. K. (V. Sopher), London  
 Mellalieu, C. F. (J. D. Watson), Stockport  
 Mellor, C. (J. D. Ayrton), Halifax  
 Mellor, M. H. (R. G. Bell), Oxford  
 Membru, J. I. (S. R. Stammers), Brighton  
 Mercer, A. B. (W. Procter), Barrow-in-Furness  
 Metcalfe, P. J. C. (C. E. McLay), Cardiff  
 Michaels, L. D. (D. D. Mathieson), London  
 Michelson, A. D. (T. M. Sadler), Newcastle upon Tyne  
 Midgley, R. J. (G. W. M. Phillips), London  
 Millen, R. J. (G. P. Townsend), London  
 Miller, D. N. (E. E. P. Maltby), London  
 Miller, P. D. (G. J. Howe), London  
 Mills, A. F. (C. F. Dashwood), London  
 Milnes, D. G. G. (J. Whitehead), Leeds  
 Mirza, H. (The Hon. J. W. Remnant), London  
 Mitchell, C. L. (H. O. Rule), Truro  
 Mitchell, R. P. (F. G. Tombs), London  
 Mitra, S. K. (G. F. Jackson), Birmingham  
 Mobberley, P. (A. N. Moore), Birmingham  
 Mohamed, A. (D. R. Carston), Cardiff  
 Mohamed, V. A. (A. Sadie), London  
 Moodie, D. I. P. (W. E. H. Handley), Tunbridge Wells  
 Moodie, O. C. D. (P. H. Tyack), London  
 Moore, E. A. (Miss) (R. G. Moorcraft), Romford  
 Moore, K. J. (R. G. Kirkpatrick), London  
 Moore, M. T. D. (G. W. D. Bennett), Birmingham  
 Morgan, I. D. (K. B. Bristow), London  
 Morgan, P. (E. Lewis), Merthyr Tydfil  
 Morridge, D. F. (J. F. Waring), Bolton  
 Morris, C. (C. M. Calverley), London  
 Morris, D. P. (R. J. Burford), Cardiff  
 Morris, R. J. S. (R. G. Leach), London  
 Mortimer, P. A. (A. L. Low), London  
 Morton, K. J. (S. M. Duncan), London  
 Moss, D. H. (A. F. Pownall), Liverpool  
 Munford, G. L. (R. Gray), London  
 Munns, D. W. (C. H. Pettit), Northampton  
 Munson, R. J. (G. H. Brown), London  
 Murcott, P. W. (H. B. Jones), Maidenhead  
 Murgatroyd, P. (C. P. Dean), Leeds  
 Musson, C. W. (H. A. Jennings), Kendal  
 Myers, M. K. (J. D. Smith), Sheffield  
 Myles, K. A. F. N. (L. W. Gatenby), London  
 Mynors, R. D. B. (G. H. Vieler), London
- Namey, R. A. (A. Goodman), London  
 Napier, D. D. R. R. A. (T. D. Carnwath), Manchester  
 Naughten, D. G. (N. V. Collins), London  
 Nayar, A. K. (A. Harris), London  
 Naylor, D. M. B. (H. Bolton), Leeds  
 Nelves, R. J. (D. A. White), Bristol  
 Nelson, R. C. (A. G. B. Burney), London  
 Neogy, A. (L. F. Jones), Wolverhampton  
 New, M. R. (K. W. J. Saunders), London  
 Newnham, E. R. (M. Board), London  
 Nicholls, G. P. (J. P. Blows), London  
 Nicoll, K. C. V. (D. G. Bendall), London  
 Nik, I. (G. O. Sutton), Hove  
 Norman, R. S. (B. W. Graves), London  
 Noyes, G. W. (J. J. Findlay), London  
 Nunes, E. J., Trinidad  
 Nunnington, C. (K. C. Cook), Liverpool  
 Nunns, R. E. (L. J. Culshaw), London  
 Nurse, T. A. (J. A. Nicholson), London
- Oates, M. A. (T. H. Ellis), Nottingham  
 O'Brien, N. E. (S. Gold), London  
 Ogden, P. J. (A. Holmes), Manchester  
 Ogilvy-Watson, D. E. (B. W. Graves), London  
 Ogwuma, P. P. A. (H. T. Nicholson), London  
 O'Kane, D. B. (G. B. Robins), Hull  
 Ola, C. S. (P. A. Bayliss), London  
 Olivier, J. E. H. (P. G. Barber), London  
 Ong, T. L. (S. C. Churcher), London  
 Oratis, S. (J. H. S. Howard), London  
 Ord, R. S. (D. B. Ward), Middlesbrough  
 Organ, K. (R. S. Blower), Scarborough  
 Orman, F. A. (Miss) (C. Croxton-Smith), Bristol  
 Osbaldeston, C. (J. E. Coppock), Carlisle  
 Osborne, H. (A. J. Page), London  
 Oshodi, I. B. O. (H. J. Jones), London  
 Osman, A. A. (M. Farmer), London  
 Osman, D. R. (C. M. Richer), Tunbridge Wells  
 Oswald, C. T. (J. Baldock), Grantham  
 Otter, K. H. (R. E. Andersen), London
- Oyediran, C. O. O. (D. C. Hobson), London
- Pacifico, J. H. (I. B. Paul), London  
 Padwick, H. A. (R. F. May), London  
 Pain, A. G. (E. J. Frary), Luton  
 Palfrey, D. G. (J. P. Whitehead), Huddersfield  
 Palin, W. S. (W. T. Smith), Chester  
 Palmer, B. R. (J. M. Keith), London  
 Palmer, T. M. (L. A. Fudge), Bath  
 Paracha, G. F. (D. H. Harker), London  
 Parish, D. W. (E. Lucas), Bedford  
 Parish, M. R. (E. L. Upshaw), Norwich  
 Parkes, D. H. (D. F. Dodd), Birmingham  
 Parmenter, M. A. (J. P. C. Richardson), London  
 Parritt, C. A. (J. Heaford), London  
 Parsons, B. H. (I. H. Handley), Andover  
 Parsons, C. R. G. (J. D. Hodgson), Launceston  
 Pascall, C. J. (B. Griffiths), Nantwich  
 Patel, A. B. K. (S. E. Newman), London  
 Pattison, I. F. (D. W. Hobbs), Bradford  
 Pattni, B. N. (J. N. Gray), Birmingham  
 Payne, C. E. H. (R. N. D. Langdon), London  
 Payne, R. F. (J. M. Webb), Birmingham  
 Pearce, M. F. (E. S. Lees), Salisbury  
 Pearman, M. T. S. (A. J. Taffs), London  
 Pearson, A. E. (H. Morrell), Huddersfield  
 Pearson, K. O. (W. A. Reah), Newcastle upon Tyne  
 Pearson, R. J. C. (J. C. Howard), London  
 Peart, P. G. B. (A. D. Gordon), London  
 Peasnell, K. V. (C. G. E. Pryke), London  
 Peirson, G. J. (E. R. Norman), London  
 Pemberton, K. G. (B. R. Cahill), Leeds  
 Perdeaux, W. (R. P. Chambers), London  
 Perring, D. S. (J. R. Morgan), High Wycombe  
 Perry, A. J. (D. M. Melman), London  
 Pettit, M. J. (R. S. Sprange), Sutton  
 Pidgeon, R. J. (T. B. Quail), Nottingham  
 Pigeon, R. A. (E. G. Lambard), London  
 Pilbeam, A. F. (J. A. Smith), London  
 Pink, R. E. (R. St. C. Page), Nottingham  
 Pinnington, K. T. H. (J. M. Harvey), Liverpool  
 Piper, C. K. (Miss) (D. B. Whittingham), Shrewsbury  
 Pitman, G. W. (J. L. Mawhood), London  
 Plant, J. E. (S. J. Wilkes), Birmingham  
 Politi, A. E. (G. C. Henry), London  
 Pollard, J. B. (G. P. Norton), Huddersfield  
 Ponsonby, M. F. L. (J. D. Russell), London  
 Papat, S. (S. Geller), London  
 Popoola, Y. A. (D. S. Glentworth), Grimsby  
 Porter, D. M. (J. D. Liggatt), London  
 Postles, A. (Miss) (H. G. M. Leighton), Bristol  
 Potter, P. T. (E. Bell), Leicester  
 Poulter, C. E. (J. Rampton), Reading  
 Poulton, C. J. (R. E. Sale), Gloucester  
 Poulton, M. (R. W. Young), London  
 Pounds, C. G. (H. J. Bates), Derby  
 Poutney, M. H. (R. H. Ashcroft), London  
 Powell, G. R. (H. T. Easdale), London  
 Pratt, C. H. (J. P. Ogden), London  
 Pratt, T. B. (J. R. Haworth), Accrington  
 Prentice, S. D. (T. Hudson), Scarborough  
 Price, B. V. W. (W. L. Solon), Worcester  
 Price, D. R. E. (R. C. Daniel), Cardiff  
 Price, J. M. (J. R. Baker), London  
 Price, J. M. (A. W. S. Tabbernor), London  
 Price, J. M. A. (P. P. Barber), Birmingham  
 Priestley, A. J. (J. K. Clare), Bradford  
 Prior, J. M. (G. E. Pollinger), Bristol  
 Prior, M. J. (J. H. Wilkinson), Manchester  
 Pritchard, E. R. (V. Keen), London  
 Pritchard, R. J. (K. G. Sim), Newport, Mon  
 Pritchett, N. (R. H. Wall), Birmingham  
 Procter, S. (E. I. Reynard), Nelson  
 Pugh, M. J. (R. W. Warren), London  
 Purton, D. J. (D. H. Bevan), Hayes  
 Pyatt, R. J. (P. F. Granger), Nottingham
- Quantick, D. R. Le P. (J. D. Wells), London  
 Quinn, F. W. (F. M. Kellett), Newcastle upon Tyne  
 Quirke, R. F. (J. Codling), Beaconsfield  
 Qureshi, T. A. (M. A. Bennett), London
- Radburn, P. A. (L. Davies), Wolverhampton  
 Rafi, K. (P. R. W. Ford), Southampton  
 Rafi, S. (W. H. Green), Southampton  
 Raine, P. N. (D. P. Briggs), Middlesbrough  
 Rainton, E. D. (H. B. Kilvington), West Hartlepool

Ramsbottom, P. (J. D. Alton), Harrogate  
 Rankin, C. S. B. (R. Casey), London  
 Rankin, J. L. (Miss) (C. J. Jeffries), London  
 Rastrick, D. S. (R. H. Wood), Bradford  
 Rawes, G. R. (J. A. Deed), London  
 Raybould, M. J. (J. E. Field), Chertsey  
 Raychaudhuri, S. (K. G. Winward), Hemel Hempstead  
 Rayment, L. F. (E. R. Rapkin), London  
 Raymond, M. (R. P. Matthews), London  
 Read, R. N. (D. T. Veale), Leeds  
 Reece, R. S. (L. E. Cattermole), London  
 Reeks, A. C. (D. B. Gardiner), London  
 Rees, D. C. D. (I. Griffiths), Cardiff  
 Rees, D. F. (P. Ewen), London  
 Rehman, J. (V. A. S. Goddard), London  
 Rehman, M. I. (E. H. Leigh), London  
 Rehman, M. F. (S. Freeman), London  
 Reid, A. C. A. (R. F. Clark), London  
 Reid, R. T. (K. S. Beecroft), London  
 Rethinasamy, P. (F. W. Partridge), Reading  
 Reynolds, M. (Miss), (C. G. C. Hector), Brighton  
 Reynolds, N. F. R. (H. Feat), London  
 Rhead, T. K. (A. A. Davies), Birmingham  
 Rich, B. (D. McMichael), Leeds  
 Richards, D. C. (D. P. Lloyd), Dudley  
 Richards, M. R. (J. W. F. Holman), Southampton  
 Richards, P. (J. A. B. Stallard), Wolverhampton  
 Richardson, A. W. (R. C. Blunt), London  
 Richardson, J. (J. Dennington), Southend-on-Sea  
 Richardson, J. D'A. (E. T. G. Terrell), Aylesbury  
 Richardson, M. R. (W. F. Palmour), Preston  
 Richardson, R. D. (J. B. Pinnock), Bedford  
 Riches, H. A. (N. Green), Sudbury  
 Rickman, R. J. W. (J. K. Black), London  
 Ridge, P. (H. A. R. J. Wilson), London  
 Ridley, R. R. (D. J. Calder), London  
 Riley, M. B. (J. S. Vine), London  
 Ritchie, H. S. (H. G. P. Greenwood), London  
 Rix, K. (J. C. Proudler), Redcar  
 Ritzvi, M. A. (R. W. N. Payne), London  
 Roach, J. R. M. (R. E. Weaver), Coventry  
 Roberts, M. (D. Ellis), Portmadoc  
 Robertson, D. E. H. (K. M. Games), Bournemouth  
 Robinson, D. J. (A. C. Goddard), London  
 Robinson, R. G. (H. B. Brailsford), London  
 Rockburger, M. (W. R. Malvern), London  
 Rodway, A. J. (R. W. West), London  
 Roebuck, H. E. (R. H. Clements), London  
 Rogers, D. (R. A. Stevens), Wolverhampton  
 Rogers, G. C. B. (J. M. Watson), Bournemouth  
 Rogers-Jones, E. (Miss) (J. Yeomans), Rhyl  
 Rose, S. (L. Baker), London  
 Rosenbaum, J. S. (S. S. Primost), London  
 Rosenblatt, R. R. (D. Lewis), London  
 Rotherham, D. (H. S. Lucas), London  
 Rotherham, R. F. (A. F. Warren), Newton Abbot  
 Rouse, D. G. (H. R. P. Thompson), Rugby  
 Rouse, R. D. (R. L. Jones), London  
 Rowen, J. D. (R. C. Pegg), Cradley Heath  
 Rowledge, R. E. (R. W. Cooke), Sutton Coldfield  
 Roy, J. (E. J. Fox), London  
 Rudd, J. G. R. (A. N. Forsyth), Derby  
 Rupani, B. H. S. (J. D. Berman), London  
 Russell, S. R. (C. J. Mason), Birmingham  
 Ryan, F. D. (A. L. Rowles), London

Saha, N. N. (A. B. Joseph), London  
 Salahuddin, M. (H. P. Allsop), Birmingham  
 Salkeld, J. G. (Sir William Lawson), London  
 Sargeant, P. F. (L. V. Rainey), Sevenoaks  
 Saunders, S. F. (G. H. Hovey), London  
 Savage, G. R. (I. C. Paterson), London  
 Savage, M. I. (K. B. Clark), Sheffield  
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**1,215 Candidates passed**

**1,355 Candidates failed**

## PRELIMINARY EXAMINATION

*Deloitte Prize for the year 1963*

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Adisa, O. (Miss), London  
Ameen, N., London  
  
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Bishop, P. N., Cheadle Hulme  
Bub, J. S., London

Carter, T. J., Manchester  
Coxey, M. D., Bolton  
Crispe, D. R., Southend-on-Sea

Dobree, P. N., Fetcham

Elmore, R. W., Kettering  
Evans, K., Bristol

Fone, D., Whitbourne

Graham, E. I. (Mrs), Wolverhampton

Hargreaves, E. W., Keighley  
Hawkins, R. A. J., Newbury  
Higginson, A., Hinckley  
Howarth, D. J., Oldham  
Hulse, R. G., Prestwich

Jacobs, M. P., London  
Jacques, M. R., Stainton

Kelly, D., Fair Oak

McCutcheon, J. D., Enfield  
Martin, R. D., Chigwell  
May, R. E., London  
Mayes, A. N., London  
Mincer, H., London  
Mody, R., London  
Moore, J. C., West Drayton  
Murray, T. G., Harrow

Newcombe, B. C., Hounslow  
Newsome, T. M., Heckmondwike

Nithianandan, S. R., London

Prew, H. A. (Miss), Taunton

Ray, D. R., Abergavenny  
Robertshaw, J. R., Halifax  
Rose, H. J., London

Simpson, G. C., Margate  
Sparrow, J. R., London  
Stanley, T. A., Birmingham  
Sunderland, M. J., Harrow  
Swales, D., Bradford

Taylor, K. J., Denton

Weir, D. T., Liverpool  
Whitworth, R. S., London  
Winckless, N. A. R., Chessington  
Wood, G. D., Ewell  
Wood, R. M., Lytham St Annes  
Wood, T. J., Selsdon

**48 Candidates passed**

**140 Candidates failed**

## Summary of Results

	<i>Final</i>	<i>Intermediate</i>	<i>Preliminary</i>	<i>Total</i>
Candidates Successful .. .. .	944	1,215	48	2,207
Candidates Failed .. .. .	992	1,355	140	2,487
Candidates Sat .. .. .	1,936	2,570	188	4,694

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## A Leading Question

AS far back as 1950, we lamented the fact that the broad pattern of the Government accounts, as presented to Parliament, had been maintained unchanged in any essential particular for more than eighty years although in that period annual expenditure had risen from £67 million to £3,337 million. On the basis of the estimates published last week-end, the Government proposes to spend £6,549 million in 1964-65. The medium for recording this noble spending will, as before, be little more than a series of meticulously kept petty-cash books. Inherent in these, like the potential sculpture in the uncarved block of stone, will be vital information about profit and loss, capital and revenue, and assets and liabilities without which the efficiency and progress of the national effort cannot be properly evaluated.

The defenders of this archaic system of accounting maintain that national accounts have a deeper purpose and wider significance than those of industrial undertakings whose prime object is to make money, but that argument is no longer valid for many reasons. One is that national expenditure is rising so much that accountability alone is not enough. There must be complete justification as well, and this cannot be demonstrated without the aid of modern accounting techniques. It is clearly the Government's function, if not to make money, at least to refrain from spending it needlessly.

Another reason why the Government cannot afford to remain in ignorance of the true state of its finances is its commitments in the intricate field of international trade. No prudent industrial undertaking ever enters into contracts without knowing precisely its resources and limitations and in this matter the Government is in no way different. As company directors are ultimately answerable to the shareholders, so the Government is to the electorate.

A reminder that certain other Governments possess better financial accounting systems is given by Mr KENNETH S. MOST, LL.B., F.C.A., at the end of his interesting article elsewhere in this issue. Is it a mere coincidence that the two countries he specifically mentions - the United States and the Netherlands - are among the most enlightened as regards accounting thought and practice? Here, then, is a comparable opportunity for the profession in the United Kingdom to instruct Civil Servants and, more particularly, politicians. Let every candidate at the forthcoming General Election be asked if he is in favour of Government accounting reform. If he does not appreciate the significance of the question then, bluntly, he has no right to be aspiring to the job of spending in the year ahead £6,549 million of other people's money.

## Blunt Words on Tax from the Association

IT is a commonplace that each successive Finance Bill adds to the complexities of the taxing statutes with the result that the present law falls far short of satisfying ADAM SMITH's canon of certainty. There is, in fact, a strong case for reproducing in the United Kingdom a counterpart to the Swedish National Tax Board which can give rulings to business men on the tax consequences of proposed transactions. Most of the critics of the present British system, perhaps because they are all too conscious of the futility of asking for a root and branch reform, content themselves with advocating minor reforms. There is, however, no harm in occasionally drawing attention to the present extraordinary state of the taxing statutes, and the pre-Budget memorandum from The Association of Certified and Corporate Accountants does just this.

The memorandum notes that even since 1962, when the Association pleaded for a measure of simplification, the situation has deteriorated. The complexities of recent legislative changes – in particular Cases VII and VIII – are by now legion. Of Case VIII the Association's memorandum remarks that 'it is the most misconceived piece of fiscal legislation for very many years', and observes that Case VII has 'resulted in an increase in the complexities of taxation legislation greatly disproportionate to the amount of revenue anticipated'.

Citing a series of defects in the Case VIII legislation, the memorandum reports especial concern over the withdrawal of the set-off provisions under section 346 which were available under Case VI. To the Revenue's contention that the availability of that relief under Case VI was originally due to an accident, and therefore the Case VIII provision does no more than restore the *status quo*, the Association retorts that this 'accidental relief was of over twenty years' standing'.

Among other defects in Case VIII the Association notes the withdrawal of the 'one-estate' treatment whereby under Schedule A, properties

managed as one estate were treated as one with all the repairs allowances and other deductible expenditure being aggregated for purposes of computing the maintenance relief. It criticizes, too, the basis of the computation whereby the rent chargeable is that to which the taxpayer is entitled, regardless of the period to which it relates. Expenses, on the other hand, are deductible as paid. As the memorandum points out, it would be fairer to set the expenses arising for the period against the rent relating thereto.

The memorandum reminds the CHANCELLOR that nothing effective has been done to ameliorate the working of Rule 7 of the Ninth Schedule. It comments that when the matter of Schedule E expenses was considered by the Royal Commission, THE CHIEF INSPECTOR OF TAXES was the only expert to defend the rule which elsewhere was recognized to be grossly inequitable. The Association advocates the immediate implementation of the Radcliffe Commission's proposal that all expenses 'reasonably incurred for the appropriate performance of the duty of the office or employment' should be allowed.

Perhaps the most interesting proposal is that a permanent Taxation Simplification Committee be set up – comprising lawyers, accountants, and Revenue representatives – to keep all legislation on direct taxation under review. Closely linked with this proposal is the suggestion that the Finance Bill should deal only with changes in actual tax rates. Further Bills dealing with amendments to the existing law should be introduced annually, and more time given to their consideration to avoid such hasty and ill-drafted legislation as was introduced last year. It is further proposed that such Bills be accompanied by explanatory memoranda indicating in simple language the objects of the proposed legislation. On this last point, surely, there can be no divergence of opinion, and it is to be hoped that the move in this direction, adopted in connection with the Income Tax Management Bill, now before Parliament, will become standard practice.

# Management Accounting and Government Accountability

by KENNETH S. MOST, LL.B., F.C.A.

**A**CCOUNTANCY belongs to the field of information and documentation; but we must distinguish between 'knowledge' and 'information'. It is not so much what is known but what can be found out which effects growth, whether human or business. If a firm can find out, quickly and economically, all human knowledge is within its grasp. This fact points to the primordial importance of information and documentation in the management of a business.

It is no exaggeration to say that there is a fourth basic skill which must be acquired, together with reading, writing and arithmetic – research. The ability to discover the information which is required whenever a decision is taken is of the greatest importance to the firm, and yet many firms – even the biggest – are often poorly equipped in this respect. They rely on verbal communication for the greater part of their information, and make little effort to bring even this knowledge to those parts of the organization where it can be used profitably. But to starve an organization of information is as dangerous as to cut off its raw materials; in the latter case, it loses its food; in the former, it does not know what to do with it when it gets it.

## Three Systems

If we examine the history of business organization we can discern three basic information systems which have been used by managers until now, and a fourth which is just beginning to operate. The first of these is the 'inventory system', which characterizes autocratic management situations and which began to disappear with them about the end of the sixteenth century.

The prince, or pope, or rich landowner or merchant, takes a periodical inventory of his belongings, in order to inform himself of their present state – what he possesses, where it is situated, the condition it is in and how much it is worth. Little effort is expended on finding out what has happened during the period between two inventories, whether it has produced a profit or a loss, and even less in analysing the causes. Providing that the inventorized wealth is not visibly decreasing and that those assets which

were on hand at the beginning of the period are still there at the end, the master is content.

Many a steward grew wealthy under the inventory system; it was the foundation of numerous personal fortunes. When this was discovered, an attempt was made to find out what the operations of the period produced. Nevertheless, we may note the survival of the inventory system in the comparison of opening and closing balance sheets, even in the contemporary world.

The defects of the inventory system led to the development of the 'file system'. This method of recording operations attempts to accumulate the experience of the period between two inventories by bringing together the descriptive documentation, in chronological order, in a file or dossier. Knowledge then reposes between the covers of the file and can be disseminated by moving the file from one person to another. This information system, which is still predominant in government administration, has great defects, and perhaps some of the performances of government are attributable to this fact.

The main objection to the file system is that information is not collected in a form in which it can be used. It cannot be combined, analysed, compared, evaluated, verified, sorted, projected – it is food, but of a most indigestible kind. It is also an uneconomical system, since every document presents an individual filing problem. Attempts have been made to overcome these objections by developing systems of classification and coding, by preparing indexes to both the system and the individual file, and by abstracting information from files for circulation within the organization. Nevertheless, the essentially cumbersome nature of the file system remains.

The third kind of information system is the accounting system, which has existed since the dawn of civilization, but which has known its fullest development since the fifteenth century. Accounting enables information which is capable of expression in monetary terms to be classified, recorded and made available for a wide variety of purposes.

Accounting information provides managers with their staple diet at the present time, and

once a business develops beyond the stage of primary establishment it cannot function without an accounting system. The types of information which can be quantified in monetary units are identified and recorded, and the use of the accounting model enables them to be analysed, compared, evaluated, verified, reshuffled in different ways, communicated within the firm and projected into the future. Thus, the growth of a firm can be planned, and its progress checked against the plan, while at the same time reasons for deviation from the plan are constantly available. For this reason, the accounting system may be regarded as a model for other systems of information and documentation.

### Using Electronic Computers

The accounting system is based upon the possibility of quantifying certain kinds of information in monetary terms. Its defect is, therefore, that it excludes any kind of information which is not susceptible to this treatment. Some operations of a business are quantifiable in other terms – space, units of output or input, markets, quality. Like money, these quantities can be manipulated by mathematical techniques to provide answers to the questions which inquiring managers pose, but until quite recently it was impossible to translate the data into figures and apply the formulas within ‘real time’ that is, the period within which the result was to be used.

Since the invention of the electronic computer, however, this obstacle has disappeared, and it is now possible for the fourth type of information system to come into its own. It is interesting to observe the manner in which accountants are slowly extending their operations and building computer systems which will eventually replace their traditional accounting systems.

The computer has also been invoked to replace the file system in those places where its survival is essential. An outstanding example of this use is presented by the French company of Saint-Gobain, where librarians, file clerks and computer technologists have together developed a system of information based upon the computer. This is a pointer to the future, when the essentially static file will be converted to an integral part of a dynamic information system, in which the most important features of the inventory, file and accounting systems will all find their places. One can foresee local information centres serving in this way those firms which are too small to install electronic computers of their own.

It must be realized, however, that computer systems are not a substitute for traditional accounting techniques but an extension of them to further areas of activity. The use of mathematics in business is no new phenomenon; sampling goes back to antiquity, and the methods of actuaries and accountants known as ‘financial mathematics’ have been with us at least since the Middle Ages. Double-entry book-keeping is itself a form of matrix algebra.

### Management Accounting in Government

Government consumes and produces economic resources having value and deals with other parts of the community in the process. We can therefore accept the necessity for the Civil Service to use a quantitative technique to measure its operations and those of the rest of the community. For the reasons already given it appears that accounting is the appropriate quantitative technique for planning and control, and we shall consider its applicability in three different situations:

- (a) The use of financial accounting to measure financial operations.
- (b) The use of cost accounting to measure the consumption and production of real resources.
- (c) The use of both kinds of accounting to relate government to the rest of the community.

The Civil Service keeps accounts for its financial operations, maintaining the cash basis throughout. This means that financial transactions are classified first by period of receipt or payment and secondly by function. For example, suppose that a subsidy is granted to farmers for producing barley, and that claims made after the 1963 harvest (relating to the 1963 harvest) are met as follows:

1963–64, £90 million.

1964–65, £35 million.

1965–66, £2 million.

These payments will be reported as government expenditure in each of these three years, classified under the heading ‘Agricultural subsidies’. The information is false; in fact, the government has suffered an expense for 1963–64 amounting to £127 million. The payments complete the operation, they do not represent it.

In management accounting, both income and expense are first classified by type or function, and only allocated to periods when period accounts fall to be prepared. In the above example, an estimate of the probable liability for



the subsidy would be made – let us say, £120 million. This would be recorded as an expense in 1963–64 under the correct heading, and the unpaid balance at the end of the year of £120 million – £90 million would be shown as a liability. Payments made subsequently would not appear in the revenue accounts, since they would not relate to subsequent years but to 1963–64. The eventual under-provision of £7 million would appear in 1964–65 or 1965–66 (as soon as it were known) as an expense applicable to 1963–64 – ‘Agricultural subsidies’ for that year.

This procedure permits three results to be obtained *economically*:

- (a) Income and expense of any period can be ascertained, and its origins identified.
- (b) The financial situation can be measured at appropriate intervals and changes explained.
- (c) Plans can be made and modified by reference to comprehensive and accurate information instead of on the basis of incomplete statistics obtained expensively and containing a high degree of error.

It has been said that the cash basis of accounting must prevail in the Civil Service because Parliament demands cash accounts. (Perhaps someone can even give the statutory or other reference which justifies this assertion.) Even if it were true, however, the fact that Parliament insists upon self-deception does not oblige the Civil Service to follow suit. It is certainly possible for cash receipts and payments accounts to be prepared from proper double-entry accounts kept on the accrual basis, and most firms do this as a matter of course to assist them to plan their monetary affairs.

### Government Financial Accounting

For financial management, then, the Civil Service requires:

- (a) Periodic balance sheets to show the economic values at its disposal and their sources; claims which will be made upon it and the assets from which they will be met; the extent to which it has increased its capital during the period, or decreased it.
- (b) Income and expenditure accounts for the period on the accrual basis, showing the consumption of resources attributable to government operations and the sources from which these have been obtained, and thus permitting the increase or decrease of capital (surplus or deficit) to be explained by reference to its causes.

- (c) Cash flow statements for the period on the cash basis, to show how its operations have been financed, how much by drawing on capital, how much out of current income, and how much by mortgaging future income.

For the detailed examination of Civil Service operations financial accounting alone will not suffice. It provides an adequate framework for overall reporting and interpreting and for rough forward planning, e.g. over the long period. For short period control and detailed forward planning we must analyse operations in respect of *cause and effect*. This is all the more necessary than in business because of the absence of a functional relationship between income and expense. In education, for example, expenditure on schools and colleges does not necessarily produce income; raising taxes does not necessarily involve more expenditure on education. The most obvious example of this independence in recent years has been the road tax, which has never been used to build and maintain roads.

### Cost Accounting in Government

The analysis of operations in respect of cause and effect in order to promote economy and productivity is the purpose of cost accounting. It is an extension of the financial accounting model which attempts to identify the production of values (as distinct from income) with the consumption of values necessary to this end (as distinct from expenses). Although tied to the financial accounts in order to ensure completeness and accuracy, cost accounts are not simply a more detailed analysis of financial operations. They attempt to distinguish between use and waste and between output and windfalls, and to relate use to output in respect of particular products and services produced.

Nevertheless, in introducing cost accounting one first attempts to relate expenses to the products or services for which they are incurred. To take education as our example, a first step would be to analyse expenditure into primary, secondary and further education, and then to ascertain how much applied to a primary school place, how much to a secondary school place and how much to a university or technical college place. This would produce what is sometimes called an ‘average cost’. This calculation would then be made by regions, by class of institution and eventually by particular institutions. The variations between average costs and regional average costs, and between regional average costs

and institutional average costs, would thus be identified and reasons could then be established.

The second step would be to establish norms for each of the three types of institution, in real terms (buildings, men, materials, etc.) and to price these in relation to current prices and local conditions. This would enable a standard or normal cost per place to be calculated, being the sacrifice the community must make in order to provide the service it has decided it must have.

We would then obtain these vital elements for planning and control:

- (a) The value of the resources which must be consumed in order to provide the educational services which national policy requires.
- (b) The yardstick by which educational activities can be judged in respect of the quantity of educational services produced. By comparing this with the actual consumption of resources and the actual production of school or university places for the period, a further piece of control information would be obtained:
- (c) The extent to which educational institutions wasted resources or produced more services than their resources would normally allow.

### Relating Government to the Community

The use of accounting to relate the government more closely to the community is a vast subject and we shall only sketch a few aspects here.

First, accounting information about government operations is necessary for democratic control. The voter votes blindly on faith alone at the present time; his voting can only become rational if he is aware of the condition of government and the relation between its promises and its achievements. The full picture requires more than accounting information, but accounts are a basic element. Just as a company's shareholders start to judge its management by studying its accounts and comparing them with plans announced in the past, so should the country be able to start its evaluation of government in this way.

Secondly, much of the complexity of government could be eliminated if more reliance were placed on accounting techniques. A good example of this is the system of taxation. The Finance Acts which constitute the legal basis of the system are mostly unintelligible, even to the initiated; they are accompanied by vast quantities of jurisprudence which contradicts the statutes, itself and other branches of the law, and adds to the prevailing confusion. In spite of this, or perhaps because of it, the mass of legislation and decision

is virtually useless in practice; as well as failing to implement government policy, it cannot be relied upon in negotiations between tax inspector and taxpayer.

A solution to this problem would be to require taxpayers to prepare annual accounts on accounting principles and thus to calculate their capital and income. The complexity of taxation would then be reduced to questions of rates and allowances and a great burden removed from the Inland Revenue and the public.

Similarly, the operation of P.A.Y.E. could be simplified and improved by requiring all employers to report to the Inland Revenue the actual entries made in their books in respect of weekly and monthly payrolls, and to accompany their reports with cheques for P.A.Y.E. deducted. The extension of this to National Insurance is long overdue.

Thirdly, political debate could be reduced by the regular production of accurate national income accounts and a national balance sheet. Statistics do not suffice; they are expensive to collect and the margin of error usually exceeds the tolerances proper to the observation. The current debate on incomes policy is useless because we have no proper basis for measuring incomes, national or individual. Efforts to promote the depressed areas are largely abortive because no attempt is made to measure investment in them or its effects on income. Policies of centralization and decentralization are merely debating points without an attempt to measure, in advance, the economic consequences of the one and the other, and to control by measurement their effects when the decision is eventually made.

### Conclusion

These arguments have been accepted in different places at different times. In the U.S.A., government has developed a system of financial accounting on the accrual basis known as 'appropriations accounting'. Government cost accounting, known as 'task-setting budgets', was introduced in Holland after the last war, and enabled the State budget there to be balanced only three years after the end of hostilities. The use of accounts in political and social contexts is a commonplace on the Continent; British company legislation was based on such a concept.

It is hard to understand the resistance the Civil Service displays to so obvious and necessary a reform as the introduction of management accounting, but there is no doubt that change is nearer today than it has ever been.

# The Concept and Practice of Marginal Costing — II

by E. J. BROSTER

*Last week, in Part I, we examined two of the simple methods of marginal cost analysis, i.e. inspection and finite differences. In this part, we turn to consider the application of statistical methods.*

STATISTICAL methods of determining the total cost curve fall under the generic term *methods of correlation analysis*. They are entirely statistical, and their use can be justified only where the number of sets of data exceed the minimum number required, and then only where the plotted points do not fall into exact alignment. Statistical methods are designed to give averages, and the margins of error for given probabilities, and not exact values. Thus, the values of  $a$  and  $b$  in equation (1) could be regarded as the averages of  $a$  and  $b$  derived from two or more series of sets of data. For a given plant, only time series of actual costs and output could be used. The cost figures would need to be adjusted for changes in extraneous factors such as wage rates and materials prices, and even the output figures may need correcting or standardizing for changes in specification. Where costs are built up by the cost accountant for the purpose, extraneous factors would not affect the differences, the two or more sets of data would be strictly comparable, and statistical methods would be superfluous for determining the values of  $a$  and  $b$ . This is not to say that the values of  $a$  and  $b$  calculated by the method of differences from built-up costs are necessarily accurate. Their accuracy depends entirely upon the accuracy of the built-up costs, and not at all on the method.

## Fitting the Cost Curve

For those interested in the possibilities of correlation analysis, I cannot do better than refer them to the latest edition of Mordecai Ezekiel's *Methods of Correlation Analysis*. Standard textbooks on statistical methods are mostly of little use in this specialized field.

Correlation analysis is designed to find the best-fitting equation to any number of correlated statistical series; and this basically, and especially where only one independent variable is involved as in cost analysis with a single product, means the best-fitting curve to a scatter of plotted points on a chart. The most obvious and simple approach is to fit a curve by personal judgement direct to the scatter; and where the alignment of the dots is good, the result should be fairly accurate.

A slight refinement of this is to arrange the data into two groups one containing the higher costs and outputs, and the other the lower, and to plot the

averages of each group. A straight line drawn through the two averages will give a straight-line fit, and the cost equation may be calculated by applying equations (6) and (7).

Where it is suspected that the best-fitting curve is not a straight line, the basic data can be arranged in three (or more) groups, for low, medium, and high outputs and cost, and the averages of the three (or more) plotted. If the average dots fall into a straight line, nothing further is necessary apart from calculating the equation that satisfies the straight-line curve. This can be done by applying equations (6) and (7). If the dots do not fall into a straight line, then if the departure from linearity is significant, the next step is to decide the form of the equation that will satisfy the curve. Most likely, it will be logarithmic; that is, of the form:

$$T = kq^z \quad (9)$$

that is:

$$\log T = z \log q + \log k \quad (10)$$

which, it will be observed, is linear. If, then, the relationship is logarithmic, the averages plotted on log-log graph paper, or, alternatively, the logarithms of the averages plotted on rectilinear or ordinary graph paper, will fall into a straight line. Either will provide the proof; but in order to determine the values of  $z$  and  $k$ , it will be necessary to use the logarithms of the averages, and apply equations (6) and (7) suitably amended to read  $\log T$  for  $T$ ,  $z$  for  $a$ ,  $\log q$  for  $q$  and  $\log k$  for  $b$ . Neither  $k$  nor  $\log k$  is in any sense the time element, nor is  $z$  the marginal cost. The marginal cost is, in fact, the differential coefficient of  $T$  with respect to  $q$ , i.e.:

$$\frac{dT}{dq} = kzq^{z-1}$$

so that the marginal cost in this case varies with changes in  $q$ .

## Method of Least Squares

The most refined method, and one which conforms to the statistical theory of error, is least squares. This involves a great deal of arithmetic, and where there are a large number of variables and many sets of basic data, the exercise is ideal for an electronic computer. It is quite likely that some computer manufacturers have devised standard computer

**Table 4**  
**THE COST/OUTPUT RELATIONSHIP**  
Method of Least Squares

Month	Output No. <i>q</i>	Cost £000 <i>T</i>	Deviations			
			<i>Q</i>	<i>t</i>	<i>Q</i> <sup>2</sup>	<i>Q</i> <i>t</i>
January	1,100	18.0	-737	-7.4	543,169	5,453.8
February	1,000	17.0	-837	-8.4	700,569	7,030.8
March	2,110	28.1	273	2.7	74,529	737.1
April	2,100	28.0	263	2.6	69,169	683.8
May	2,210	29.1	373	3.7	139,129	1,380.1
June	2,500	32.0	663	6.6	439,569	4,375.8
Total	11,020	152.2			1,966,134	19,661.4
Average	1,837	25.4				

programs for least squares analyses. For marginal cost analysis with a single product there is only one equation for solution, viz:

$$\begin{aligned}\Sigma(Q^2)a &= \Sigma(Qt) \\ \therefore a &= \frac{\Sigma(Qt)}{\Sigma(Q^2)}\end{aligned}\quad (11)$$

where *Q* and *t* are the deviations from the averages of *q* and *T* respectively, and  $\Sigma$  indicates summation.

In order to demonstrate this apparently complicated method, we can use the figures, rounded off, up to an output of 2,500 given in Table 3 last week. We already know the answer, so that we know what to expect. We will suppose the figures to be at annual rates derived from monthly data and corrected for changes in extraneous factors. (See Table 4.)

Since annual costs are expressed in £000, we need to multiply 19,661.4 by 1,000 to give  $\Sigma(Qt) = 19,661,400$ . Applying equation (11), we therefore have:

$$\begin{aligned}a &= \frac{19,661,400}{1,966,134} \text{ in } \pounds \\ &= \pounds 10\end{aligned}$$

which we derived from the same data by the method of finite differences.

To obtain the value of *b* we use the averages of *q* and *T* given in Table 4, and apply equation (7), that is:

$$\begin{aligned}b &= 25.400 - 1,837 \times 10 \text{ in } \pounds \\ &= \pounds 7,030\end{aligned}$$

compared with £6,990 as shown in Table 1. The difference is due to the rounding off in Table 4.

I have used least squares many times in cost analyses and similar exercises, and the method has advantages over others where there are more than one product or service, where there are joint costs, and where built-up costs cannot easily be prepared.<sup>1</sup> For this reason it would be worth while taking a further look at the method.

<sup>1</sup> See, for instance, my 'Variability of Railway Operating Costs', *Economic Journal*, December 1938. In this, I used least squares for calculating the marginal cost per passenger-mile and per net ton-mile, and also as alternatives, per passenger-train-mile and per freight-train-mile.

### Use of Time Series

The use of time series introduces a long-term trend, which needs bringing into the basic linear equation as a separate factor, even when there is only one product. For one product, we would have:

$$T = aq + cx + b \quad (12)$$

where *x* is the trend factor measured in terms of ordinals beginning with zero. For instance, if the time series applies to years, the first year would count as zero, the second as one, the third as two, and so on to the *n*th as (*n*-1). The use of zero for the first minimizes the arithmetic. You could begin with any number: the important thing is that the series for trend should run consecutively from the first to the *n*th period.

For two products, we would have:

$$T = a_1q_1 + a_2q_2 + cx + b \quad (13)$$

and so on, where subscripts 1 and 2 indicate different products. In order to determine the values of the marginal costs (*a*<sub>1</sub> and *a*<sub>2</sub>) of each product, and the values of *c* and *b*, we should in this case have three equations to solve simultaneously, viz.:

$$\Sigma(Q_1^2)a_1 + \Sigma(Q_1Q_2)a_2 + \Sigma(Q_1X)c = \Sigma(Q_1T) \quad (i)$$

$$\Sigma(Q_1Q_2)a_1 + \Sigma(Q_2^2)a_2 + \Sigma(Q_2X)c = \Sigma(Q_2T) \quad (ii)$$

$$\Sigma(Q_1X)a_1 + \Sigma(Q_2X)a_2 + \Sigma(X^2)c = \Sigma(XT) \quad (iii)$$

where *X* is the deviation from the average of *x*. The equations may look pretty formidable in this form, but when figures have been substituted for the sums of the products and squares, they take on an appearance of simplicity.

It will be seen that a fourth equation could be added, viz.:

$$\Sigma(Q_1T)a_1 + \Sigma(Q_2T)a_2 + \Sigma(XT)c = \Sigma(T^2) \quad (iv)$$

and I would like to say something about this. The underlying assumption of least squares is that the chosen dependent variable, in this case cost, *T*, is indeed dependent; and further the method throws the burden of error on the dependent variable.

Now in some exercises, the dependent variable may be easily distinguishable; but in cost analysis, it could be argued that output depends upon the

input of factors of production, that is, the cost, as much as cost depends upon output, and perhaps even more. Economists often use a production function, which expresses output as a function of the input factors; and it is often convenient to use some such formula for practical purposes.

Our concern, however, is with the marginal cost, for which our basic formula must be a cost function. But this is not to say that we believe that cost is an entirely dependent variable. This is one of the pitfalls of least squares.

To meet this difficulty, the best thing to do seems to be to calculate all values of  $a_1, a_2$  etc., taking each variable in turn as the dependent. Of equations (i), (ii), (iii) and (iv) above, we use (i), (ii) and (iii) to throw the error on  $T$ ; we use (ii), (iii) and (iv) to throw it on  $q_1$ ; (i), (iii) and (iv) to throw it on  $q_2$ ; and (i), (ii) and (iv) to throw it on  $x$ . Thus we arrive at four values of  $a_1$  four of  $a_2$  and four of  $c$ . Since  $x$ , the trend factor, is truly independent, we could cut out this one without fear, and so we are left with three values of each, say  $a_1', a_1''$ , and  $a_1'''$ , and so on.

If the values are much the same, their average would be a good and reasonably accurate estimate of the marginal cost of  $q_1$  and  $q_2$ ; if the differences are appreciable, the average value could be taken as having a wide margin of error. Personal judgement is called for, as indeed it is where error margins are actually calculated in accordance with the textbook rules. If, for instance, we have an error of  $\pm 2.21$  for a 95 per cent probability, we have still to decide whether that is too large for our purpose. The same difficulty applies to most other statistical coefficients and averages. Can one say that a correlation coefficient of 0.75, for instance, is good, bad or indifferent, or high, low or medium, out of its context? We are always left to make the final decision by personal judgement. Statistical methods give us objective magnitudes, they do not pass a subjective judgement on them.

### Least-squares Formulae

The formulae of the least-squares equations for simultaneous solution are easily determined by a formula very easy to remember. We must keep in mind that the form of the basic equation must depend not so much on what we believe to be the dependent variable as upon what we want the coefficients, or parameters (e.g.  $a_1, a_2$  and  $c$ ) to mean. Thus, if we want the marginal cost, then our basic equation must be a cost function and not a production function, which would give us the output for a unit of input of labour and materials. The form of the basic equation will determine the form of the least-squares equations.

The formula for determining the least-squares equations can best be shown by demonstration. If the basic equation is:

$$Y = a_1 X_1 + a_2 X_2 \dots a_n X_n + b,$$

then we write  $x_1, x_2$  etc. and  $y$  at the heads of columns

and in the first and separate column as line headings, and take the product of the two in each cell. Thus:

	$x_1$	$x_2$	$\dots$	$x_n$	$y$
$x_1$	$(x_1^2)$	$(x_1 x_2)$	$\dots$	$(x_1 x_n)$	$(x_1 y)$
$x_2$	$(x_1 x_2)$	$(x_2^2)$	$\dots$	$(x_2 x_n)$	$(x_2 y)$
$\vdots$					
$\vdots$					
$x_n$	$(x_1 x_n)$	$(x_2 x_n)$	$\dots$	$(x_n^2)$	$(x_n y)$
$y$	$(x_1 y)$	$(x_2 y)$	$\dots$	$(x_n y)$	$(y^2)$

Finally, we insert the summation signs, the plus and equals signs, and the coefficients,  $a_1 a_2 \dots a_n$ , in the same way as equations (i) to (iv) and the form of the least-squares equations is complete. Where the sum of the product of the deviations from the averages is negative, the sign will be shown as negative, not plus, when the products and squares are substituted. Every equation will contain one sum of squares. This indicates the equation to be omitted from the full set. For instance, if we want  $X_1$  to carry the burden of error, we omit the equation in the first line, if  $X_2$ , we omit the second line, and so on. Thus, if we solve for all values of  $a_1, a_2 \dots a_n$  we omit each equation in turn, and we know which variable is carrying the burden of error for each set of values of  $a_1, a_2 \dots a_n$ .

The margins of error in any given set of values of  $a_1, a_2 \dots a_n$  depend upon the extent to which the basic data are correlated; and the correlation coefficient is a term in the complicated formulas for determining the errors. The extent to which the several values of say  $a_1$  differ from each other also depends on the degree of correlation in the basic data, so that a comparison of these several values is often a sufficient indication of the error. The data set out in Table 4 are perfectly correlated, so that we would expect the alternative value of  $a$  to that calculated from the application of equation (11) to be exactly the same as the first calculated value, that is, £10. And so it is. The alternative equation, throwing the error on  $q$ , is:

$$\Sigma(Qt)a = \Sigma(t^2)$$

$$\therefore a = \frac{\Sigma(t^2)}{\Sigma(Qt)}$$

i.e.

$$a = \frac{196,620,000}{19,661,400} \text{ in } \pounds$$

$$= \pounds 10.$$

And so since the two values of  $a$  are equal, then according to all the rules, the marginal cost of £10 has no error, and may be regarded as perfectly accurate. I repeat *according to the rules*. In fact, if we did in practice find anything like this, we ought to examine our basic material. Why are the two series perfectly correlated, as they must be to give  $a' = a'$  ( $= \pounds 10$ )? And the answer may be that the costs are not actual but built up on the basis of the several

different rates of output. Textbook rules are therefore not always reliable, even apart from the difficulty of deciding which if any variable is entirely dependent on the other or others. The accuracy of the basic data as well as the degree of correlation is important.

### Conclusion

I hope this brief and necessarily sketchy outline of the method of least squares and its application to cost analysis will generate an interest in this valuable technique. The proof of the least-squares equations involves the calculus, and to many that may make the method a mystery. But there is nothing difficult about its application. All it needs is care and thought in deciding the appropriate form of basic equation (which is akin to the architect's plan for a building), some common sense, and a lot of simple arithmetic. In the literature, short cut methods of arriving at the products and squares of deviations are described, and of solving simultaneous equations. So that nobody need be deterred by what appears to be the enormous volume of calculations required. The question is, is it worth it? I think it is.

The marginal cost provides a measure of the minimum price at which a commodity or service may be sold in a particular market without loss. It is true that this minimum would provide nothing to meet the time element in the annual costs, and would not yield a profit. Provided the time element is met

from the sale of other commodities or the sale of the same commodity itself in other markets, any excess of price over marginal cost represents an addition to profits. In short, it would pay to sell a commodity in a particular market at a price only slightly in excess of the marginal cost rather than not at all, provided the necessary quantity of the commodity could be produced within the capacity of the existing plant, that is, without incurring any increase in the time element.

Where a commodity is sold in different markets, such as the different parts of England, Wales, Scotland and Northern Ireland, and different countries overseas, a knowledge of the minimum price at which the commodity can be sold without loss is invaluable. This may suggest a short-run view: that in no market should the price fall short of the marginal cost. But even when it is proposed to sell at a loss for a short time in order to obtain a footing in a market, it is useful to know the extent of the net loss to the firm, and for calculating this, the marginal cost is essential.

By far the most valuable use to which the marginal cost of a product can be put is in rational price-fixing policy, that is, in determining the price which will yield the maximum net revenue. This optimum price, so-called, cannot be calculated without it. Rational price-fixing is a large subject in itself and it will be dealt with in a later article. *(Concluded.)*

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## Tax Topics

### A GAMBLING TAX...

ONE of the tasks which the Chancellor set his advisers last April has been partially completed. As the result of the researches of the Customs and Excise Department, the White Paper on the number and types of public premises for gaming purposes has now appeared. The popular press has made much play with the popularity of bingo, which clubs, according to the White Paper, have a total membership of over fourteen million. Equally striking is the profitability of gaming machines, more popularly termed 'one-armed bandits'. The White Paper reveals that what are described as the 'approximate annual net takings' exceed £10 million, of which three-quarters comes from the machines installed in social clubs.

There is no doubt that popular opinion would support any Chancellor who tried to effect some increase on the modest £40 million now accruing from taxes on greyhound racing and football pools,

in the face of the £850 million or so which the Churches Council on gambling estimates is staked annually. It is highly unlikely, in fact, that this reflects the true extent of the public's propensity to gamble, because a large proportion of the funds staked are certainly winnings which are staked over and over again. Nevertheless, there is a strong case for an equalization tax which would repair the present situation in which some forms of gambling are taxed and others are exempt. Thus, the result of the taxes on pools and dog racing has been to encourage a perceptible shift of stake money on to horse-racing and bingo.

### ... IS IT PRACTICABLE?

MANY people are unaware that an attempt to introduce a tax on gambling was made by Mr Winston Churchill in 1926. At that time all forms of gambling were illegal. This was due in part to public opinion, and the comments of Mr Philip Snowden, then Labour's Shadow Chancellor, on his opponent's proposal illustrate the thinking of the times. He was 'amazed that the Chancellor of the Exchequer should introduce a tax which he knows will outrage the most sacred feelings of a vast number of people in the country'. On a more practical plane,

Mr Lloyd George pointed out that attractive though such a tax might appear, it was 'full of mischief'.

In the event, Mr Churchill introduced a tax at  $3\frac{1}{2}$  per cent on off-course bets and  $2\frac{1}{2}$  per cent on on-course betting, which was to be collected from the book-makers. A year later the rates were reduced to 2 per cent and 1 per cent, respectively, but the evasion continued and in 1929, Mr Churchill was forced to abandon the experiment on the grounds that 'the volatile and elusive character of the betting population, the precarious conditions in which they disport themselves, have proved incapable of bearing the weight even of the repeatedly reduced burdens we have laid upon them'.

Public opinion has changed. The legalization of most forms of gaming and betting makes for more effective enforcement. Nevertheless, it is common knowledge that to the extent that it is anticipated that book-makers and gaming establishments will pass on the tax to their clients, those who do not pay the tax will be able to offer their clients rather better odds. Having legalized betting and gaming, it would be regrettable, to say the least, to see a large section thereof once more driven underground. Mr Maudling's decision will be awaited with much interest.

### TAX AND THE 'BRAIN DRAIN'

IN a letter to *The Times* an Oxford don has drawn attention to the practical aspects of the law relating to the treatment of expenses as they affect the employee assessed under Schedule E. Readers will have noted that in its pre-Budget memorandum referred to elsewhere in this issue, The Association of Certified and Corporate Accountants has urged the adoption of the Royal Commission's more generous interpretation of Rule 7. The Oxford correspondent, commenting on what has been popularly described as the 'brain drain', refers to the fact that few dons can now entertain colleagues or foreign visitors as they would wish. He adds that 'in respect of allowances for this purpose, the Inland Revenue treats us with a harshness not to be seen in its attitude towards business men and their expense accounts'.

Strictly speaking, of course, the correspondent is mistaken, since the Revenue does not discriminate between taxpayers according to their occupations, but according to the Schedule under which they are taxed. The professional man receives more generous treatment for the simple reason that the rule regarding expenses under Schedule D is so much more elastic than the highly restrictive Rule 7. As between salaried employees, the disparity arises because some employers are very much more generous than others. If, for example, universities were prepared to give their senior staff cars, as is the case with many executives, or an entertainment allowance, then the present disparities to which

*The Times* correspondent refers, would be eliminated. Of course, the simple point with such perks, so prevalent in business, is that while they may be assessable, they represent a net gain of at least 12s 3d in the £.

### WORKING WIVES

A REPORT in a recent issue of *The Daily Telegraph* will be of more than passing interest to many accountants and their professional clients. It concerned a doctor who successfully challenged the tax inspector's right to restrict the charge for his wife's services to £200 a year. As far as the tax-free amount is concerned, a working wife can now earn up to £257 per annum. More important, however, is the reported success of the doctor in claiming a very much larger payment to his wife as an allowable deduction, in this case some £12 a week.

For obvious reasons, the Revenue has always watched with keen interest any tendency on the part of professional husbands to be generous to their wives at the Revenue's expense. According to the newspaper report, the appellant was successful before the Special Commissioners on the grounds that the work which his wife performed would, if done by a paid employee, have cost about £12 a week. No doubt there is truth in this contention, but obviously it would have to be proved to the satisfaction of the Commissioners that the wife did, in fact, work in this way. The implications of this case hardly need stressing.

### LABOUR TAX POLICY

SPECULATION regarding the Labour Party's fiscal intentions is widespread. The labour correspondent to *The Times* has recently commented that in order to encourage a voluntary co-operation in an incomes policy 'a spectacular tax in some form on capital gains or wealth would probably do more than anything to help union leaders in this country to sell an incomes policy bargain to their members'.

Some suggestions as to the type of tax and policy that might be appropriate to the new situation are offered in a new Fabian pamphlet, *The Company and the Community*, by a prospective Labour candidate, Mr Paul Derrick. He recognizes that there are limits to the extent that taxation can redistribute income, and that excessive taxation on profits can have adverse effects on output. He is not convinced either that a wealth tax or an effective capital gains tax would be sufficient to ensure a socially equitable distribution of incomes. He suggests that the most effective limitation of dividends would be a permanent limitation by converting equity stocks in effect into fixed interest securities through the restriction of the dividend payable. The permitted payment would have to be calculated in the light of the company's past performance, and in the case of

new companies, he would accept the payment of an unlimited return for the first decade of its life.

One of the effects of such a system would be to enable companies to raise their capital requirements from internal resources and there would be little necessity for public issues. This would also mean that the Government could intervene in the pattern of

industrial investment more effectively. He concedes, of course, that this would be an end of equities as an inflation hedge, but he sees no reason why the wealthy should have any advantage over other sections of the community, such as small savers with their money in building societies or fixed interest securities.

## Weekly Notes

### BUDGET DAY

**B**UDGET Day, it was announced in the House of Commons last week, is to be Tuesday, April 14th. It will be Mr Reginald Maudling's second Budget and according to current opinion will contain few tax concessions – despite the imminence of the General Election. The possibility of a tax on gambling has received considerable publicity in recent months and the pros and cons are referred to in 'Tax Topics' on another page.

The Budget will be discussed, and the taxation proposals summarized, in our issue of April 18th.

### NATIONAL SAVINGS TOP £8,000 MILLION

**T**HE total sum invested in National Savings last week reached the £8,000 million mark for the first time. The £7,000 million mark was passed in May 1960, so that £1,000 million of new money arising from small savings has been invested in three years and nine months.

This is a rate three times as high as that for the previous £1,000 million, for it took thirteen years – from 1947 to 1960 – to bring the total from £6,000 million to £7,000 million.

This new investment milestone in National Savings reflects not only a sharp increase in the rate of small savings but changes in the investment pattern as the following table illustrates:

	May 1960	February 1964
	per cent	per cent
Savings Certificates .. ..	37	33.7
Defence Bonds .. ..	14	14.4
Premium Savings Bonds ..	4	5.4
Post Office Savings Bank ..	24.5	22.6
Trustee Savings Banks ..	18	21.7
Stock on Post Office Register ..	2.5	2.2
	100.0	100.0

It can be seen that the ratio of investment in savings certificates has fallen while the Trustee Savings Banks have gained by about the same percentage due to the attractive returns offered. The

Post Office Savings Bank has proved less popular by comparison, and it is interesting to note the continued growth of Premium Bonds.

### ECONOMIC MODELS

**Y**OU cannot make a silk purse from a sow's ear, runs the old adage, and this seems to be the lesson to be derived from the new Eaton Paper No. 2 on *Macro-Economic Models* by Dr Malcolm Fisher<sup>1</sup>. Although increasing reliance is being placed upon model-building for current economic policy decisions, it remains true that so far 'the skilful intuitionist', to use the author's term, 'may possibly score more points for predictive accuracy'.

The basic weakness of any model of the United Kingdom economy is the paucity or inadequacy of the statistical data which can be fed to the computer, coupled with the lack of knowledge of the nature of the various interrelationships between many economic variables. Dr Fisher argues that until such information is forthcoming, progress will be slow and predictions unreliable. As a start, he feels that more information should be given by investment institutions of their asset structure and the changes therein; more informative company accounts are required – particularly in respect of investment plans and changes in stock levels. Regular sample surveys of consumer expenditure patterns and industrial investment intentions are needed, just as gaps in official statistics relating to the labour market, hire-purchase and ownership of consumer durables need to be filled. Any accountant who wishes to understand these new techniques, upon which the Chancellor and the National Economic Development Council will increasingly rely, should read this excellent and impartial exposition of basic principles and current problems of macro-economic model-building.

### RETAIL TRADE ORGANIZATIONS

**I**N a recent issue of the *Board of Trade Journal* advance figures were given of Part 14 of the Report on the 1961 Census of Distribution. This Part 14 will give information for the whole of the retail organization concerned and not merely for individual shops.

Compared with 1957 amalgamations had reduced the number of retail co-operative societies by 1961 from 940 to 835 but turnover had increased to £1,012 million from £957 million. Over the same period the

<sup>1</sup> The Institute of Economic Affairs, 66A Eaton Square, London SW1. Price 6s net.



number of large multiple retailers (those with ten or more branches) had increased from 1,151 with 61,027 branches to 1,300 with 65,601 branches. In 1957 there were 123 multiples with one hundred or more branches and by 1961 there were 140 such multiples.

Out of a total net capital expenditure in 1961 of £202 million, retail co-operative societies accounted for 10 per cent. Of the remaining 90 per cent, 140 organizations with one hundred or more branches were responsible for 36 per cent. These very large organizations accounted for half of the net capital expenditure in certain kinds of business which included boot and shoe shops, men's wear shops, chemists, and radio and electrical goods shops (this last owing to the weight of television hire business). Among the main forms of organization, net capital expenditure was equivalent to 9 per cent of the gross margin for co-operative societies, 6 per cent for independents and multiples with less than ten branches and 15 per cent for multiples with ten or more branches.

## RESTRICTIVE TRADING AGREEMENTS IN E.E.C.

THE European Economic Community is now engaged in examining some thirty-six thousand restrictive trading agreements. Most of these agreements have already been notified to the Commission of the E.E.C. by the companies concerned. A number of complaints have also been received from private sources and these are being investigated by the Commission. A supplement to the Ionian Bank's January *Newsletter* deals with the enforcement of restrictive trading agreements within E.E.C. and the effect the Commission's investigations are likely to have on British companies.

The important question for any British firm with restrictive trading agreements in the E.E.C. is the validity of the agreements with the Courts of the member States of the Six. It is up to the municipal Courts in the countries concerned to declare any such agreement null and void as provided by Article 85 (2) of the Treaty of Rome. The treaty gives no right to

## Vienna Congress of the U.E.C.

THE general theme of the Congress of the *Union Européenne des Experts Comptables Economiques et Financiers* (U.E.C.), to be held in Vienna from August 31st to September 3rd, will be the contribution of European accountants to the development of the European economy. Three subjects have been selected for investigation:

- (1) Budgetary control as an instrument in the management of businesses.
- (2) Possibility, usefulness and purpose of a standardized European plan of accounts.
- (3) The presentation of annual accounts of businesses, including groups of companies.

The permanent Committees of the U.E.C. are to prepare papers on these subjects, which it is hoped will be circulated to participants in advance of the Congress as was done for the European Congress in Edinburgh last September. This will permit the plenary sessions to be devoted to discussion and a wider exchange of views.

The Austrian accountancy organization, *Kammer der Wirtschaftstreuhänder*, will be hosts and the Austrian Federal President, Dr Schärf, is to be Patron of the Congress; it is also expected that several ministers of the Austrian Government will be present at the opening ceremony. Plenary sessions will be held on September 1st, 2nd and 3rd and numerous social functions and entertainments have been arranged, concluding with a banquet

and ball at the Hofburg, the former Royal Palace, on the evening of September 3rd. About 1,500 people are expected to attend.

The provisional programme is as follows:

### Monday, August 31st

Opening of Congress, followed by a reception given by the *Kammer der Wirtschaftstreuhänder*. Tour of the city of Vienna and its environs, followed by a reception given by the Vienna *Bürgermeister* at the City Hall.

### Tuesday, September 1st

First plenary session in the morning; meetings of the permanent committees of the U.E.C. in the afternoon. For other delegates, visits to places of interest in the city. Evening gala performance at the Vienna Opera.

### Wednesday, September 2nd

Second plenary session in the morning; meetings of the permanent committees in the afternoon. Evening entertainment at the Vienna *Heuriger*.

### Thursday, September 3rd

Third plenary session, and closing session of Congress. Evening banquet and ball at the *Hofburg*.

It is to be hoped that there will be a strong contingent in Vienna from the member bodies of U.E.C. in Britain – the three Chartered Institutes and the Association – whose members have already been invited to say whether they propose to attend the Congress.

damages but the Commission can impose fines and penalties for supplying false, misleading or incomplete information wilfully or negligently, for wilfully or negligently infringing the provisions of Articles 85 (1) or 86 of the treaty and for failing to end such infringements or for not discontinuing certain activities. A scale of penalties is also laid down.

It is apparently intended to protect business secrets as far as possible. Article 8 of Regulation 17 provides for hearings before the Commission to be *in camera*. Provision is also made both in fact and in law by way of appeal to the Court of Justice. When the Commission has fixed a final penalty the Court of Justice

has the jurisdiction to cancel, increase or reduce the final penalty.

The Commission may grant negative clearance to an agreement on such information as is available but this is not binding on the municipal Courts of the member countries. The Commission may also grant a dispensatory declaration on Article 85 (3) but it must publish the essential content of the order for notification and invite interested parties to submit their observations. In order to make it easier to examine the 36,000 notified agreements the Commission proposes to lay down what are called 'group exemptions'.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 212

MODERN office gadgets are wonderful. Recently I went to see Prinny, our personnel director, by appointment, but was halted with hand raised to knock, by his glacial-eyed secretary. 'He's on the telephone,' she admonished me, indicating an obscure 'engaged' signal on her switch-through telephone. Her implication was that my interruption would wreak industrial havoc; her expression indicated a deep inward satisfaction at keeping lesser minions in their place. She, and she alone, had protected her boss from importunity.

Glacial is a pain in the neck but we make allowances for her because she has domestic misfortunes. However, I referred in firm fashion to my overriding appointment, and was about to enter Prinny's room when a shrill voice was heard within expostulating angrily with the director. He answered, and there came another staccato outburst. It seemed he already had a visitor.

'I thought he was alone,' Glacial said in astonishment, so I nodded at her reprovingly and went in. Then it was my turn to be astonished. Prinny was undoubtedly alone. Yet we had heard another voice clearly and his room had but the one door. I felt as if I'd stepped into the centre of a Sherlock Holmes story . . . the baffling enigma of the disembodied voice. . . . As for Glacial, she looked like Lot's wife, rigid with surprise on the threshold, a pillar of salt as well as of rectitude.

Prinny soon enlightened us. Just a new gimmick, he explained, showing a sort of plastic thingummy on his desk, which amplified incoming phone voices to any extent required. 'Jolly useful,' he beamed. He adjusted it as his bell tinkled again and sat back proudly, like a hen who has laid an egg. A gruff mechanical voice said: 'About your summons for

parking too long, sir, I've had a quiet word with the station sergeant's brother-in-law . . .'. The director switched the thing off hurriedly and finished the conversation, slightly puce in complexion, in orthodox fashion, receiver to ear.

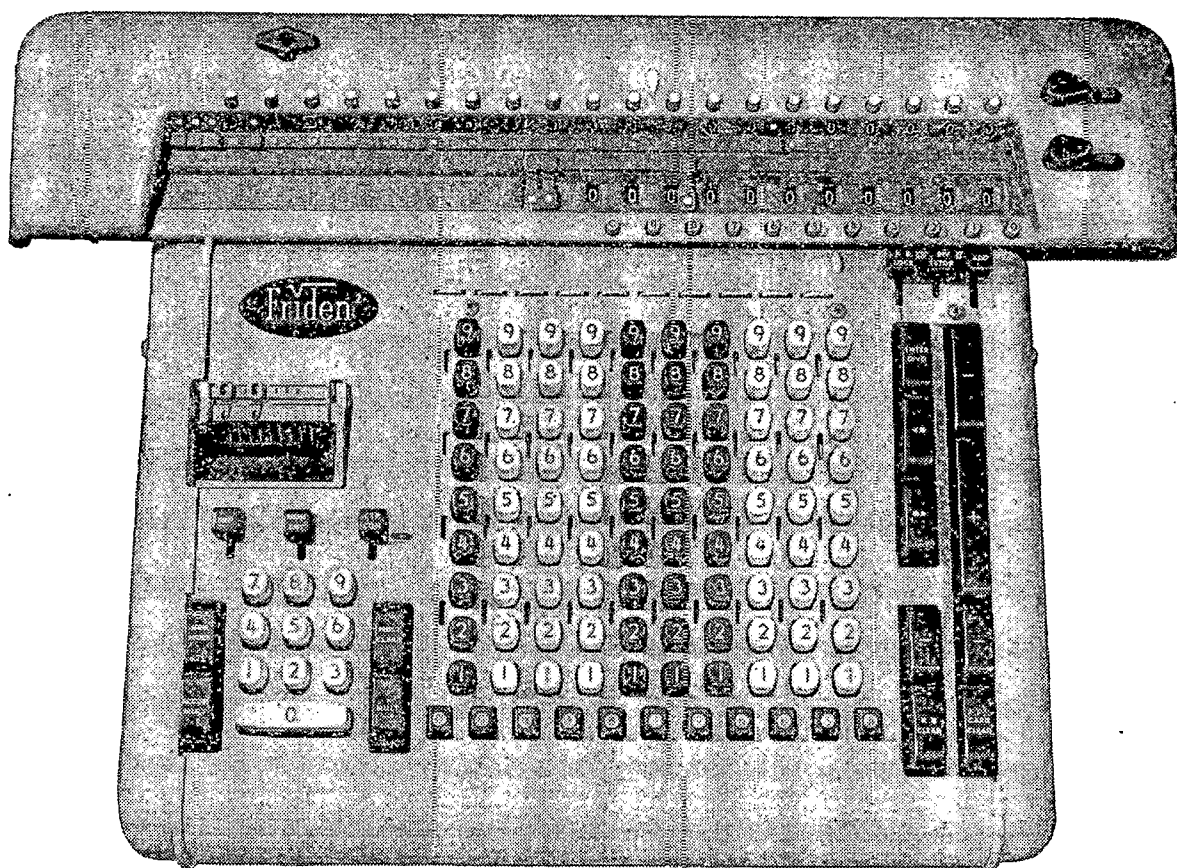
I reflected on the many times I had discussed relatively confidential matters with Prinny over the telephone. It is too easy to be indiscreet. Our switch-board operators are (of course) above suspicion, like Caesar's wives (or wife, if historical accuracy be preferable to euphony), and don't listen-in, so we usually talk freely. But, whatever may be said about the s.b.o.'s inadvertent overhearing, it's quite a different matter to talk to someone when numerous outsiders may be listening as well on a loudspeaker. Caution must be the future watchword.

Just then a buzzing sound seemed to come from Prinny's metal desk-calendar, which glowed momentarily with a red light. I looked at him inquiringly as he replaced his phone. It was a warning against unexpected interruptions, he explained. He'd had an electric gadget wired up in the floor just outside his door, anyone treading there signalled his coming in advance.

Glacial departed to get our morning coffee, and our conversation turned to a more delicate subject. The deputy-chairman had suggested transferring private secretaries back to the typing pool in the interests of economy, and Prinny sought my views. He got them. Muted somewhat by tact, of course, but adverse, critical, caustic and forceful. Economy, yes, I said, but courtesy, loss of status, legitimate pride, privacy of work, etc., must be recognized also. Demotion enhances carelessness, discontent, inefficiency, and so on.

Prinny chuckled plumply as he slid back a desk-level lid to reveal a dictating machine with spool revolving remorselessly. 'You certainly know how to put your foot in it, old boy,' he said. 'Wait till I play this one back.'

His phone went again as Glacial returned with the coffee. I jumped up and slid the desk-top back over the machine to allow her to put the tray down - and fortunately contrived to switch on the 'erase' button in doing so!



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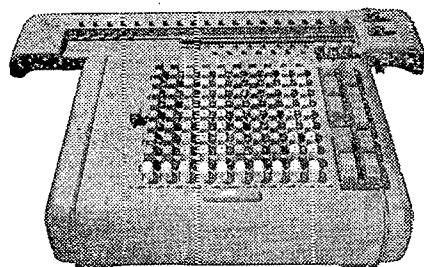
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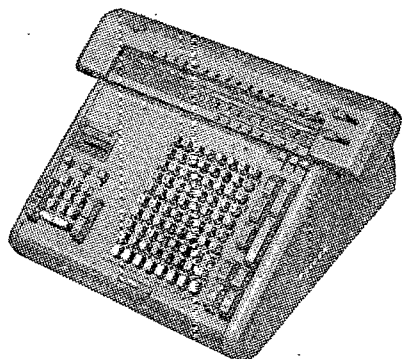
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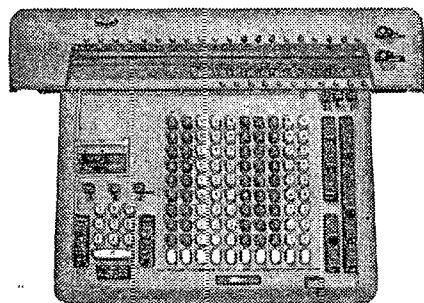
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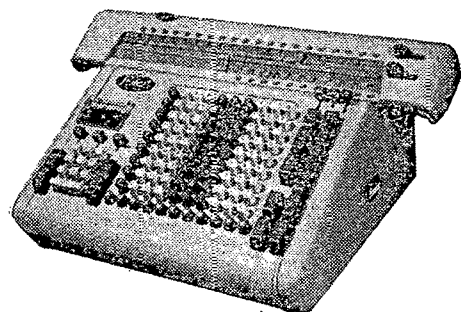
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# Reviews

## The Development of Firms

by A. S. Mackintosh. (Cambridge University Press, London. 37s 6d net.)

For all the welter of discussion of the effects of taxation on business behaviour, hardly any empirical research has been undertaken in this country to verify the most frequent generalizations about those effects. Dr Mackintosh has undertaken a small sample survey of thirty-six Midlands firms and used their accounting records to examine their reactions to taxation during the post-war period 1948-54. Given such a small selective sample, any generalizations based upon their experience must be carefully formulated.

Main interest in this work lies in the fact that it is a pioneering effort in a sadly neglected field. It is most carefully documented and the author is extremely thorough in his analysis. It is a pity that such care and effort should have been expended on so small a sample of firms.

## Contemporary Corporate Accounting and the Public

by Dr Dwight R. Ladd. (Richard D. Irwin, Inc., Homewood, Illinois. \$4.95)

This is a collection of philosophical essays on the purpose of accountability of public corporations, and to whom and in what form this accounting should be done. The author, who is a professor of business administration in the University of Western Ontario, makes it clear that accounting is the language of communicating corporate affairs, and he traces the development of a common basis for this language, and accepts that some uniformity in accounting conventions is essential if understanding is to be achieved.

Considerable emphasis is placed upon the need to devise a method of accounting for changing levels of money, in terms of purchasing power, and the author discusses methods for dealing with accounts in such a way as to preserve capital intact while stating profits truly. The 'competitive capacity' concept (i.e. keeping a business in relatively the same position or better compared with its competitors) is examined as an accounting concept, while the need for adjustment is separately examined as respects fixed assets, current assets and intangibles.

The philosophy of public responsibility is also examined, especially towards employees by way of compensation, rewards and share options. It is most refreshing to meet an author who, like Dr Ladd, writes on such matters in simple understandable

terms. The problems he discusses seem almost simple in his hands, while his examination of the structure by which accountants seek to regulate their own profession in the United States is the subject of an interesting concluding chapter which is not without its element of controversy. But in the view of this reviewer the book is too narrowly based. There are no references to the studies of the English Institute or other bodies outside the U.S.A. on the subject: for instance, one could wish that the contribution to this discussion made by Mr W. E. Parker, C.B.E., F.C.A., at the International Congress in New York, had been cited. A book on these lines of an international rather than a specifically American character would arouse even greater admiration.

## The Law of Trusts

*Eighth edition*, by George W. Keeton, M.A., LL.D. (Sir Isaac Pitman & Sons Ltd, London. 60s net.)

It is now six years since Professor Keeton wrote the seventh edition of his well-known and authoritative work on the law of trusts and a good deal has happened in that time. Great stimulants to the development of the law of trusts are proved by the pressure of taxation on property persons, their attempts to mitigate the burden by creating settlements and trusts of ever-more complicated pattern, and by the attempts of the Revenue to circumvent these devices. At the same time, extensive changes have been brought about by new legislation of far-reaching importance: the Variation of Trusts Act, 1958, the Charities Act, 1960, and the Trustee Investments Act, 1961. The second of these Acts has brought revolutionary changes in charities.

The Variation of Trusts Act, 1958, has proved to be an estate-duty avoiders' benefit Act, and has caused a rush of applications to vary trusts which were created in more spacious days when taxation was lighter, or were created without a proper regard to the tax consequences. It is a sign of the times that Professor Keeton has introduced a new chapter headed 'Trusts and Taxation', dealing with deeds of covenant, family settlements, marriage settlements, and discretionary trusts. This chapter is followed by another on the variation of beneficial interests in trusts.

## Hansons Death Duties: Sixth Cumulative Supplement to the tenth edition

by Henry E. Smith, LL.B.(LOND.), and P. H. Fletcher, LL.B.(LOND.), A.C.I.S. (Sweet & Maxwell Ltd, London. £1 10s. Post free).

The new supplement to *Hanson* covers 245 pages, as against the 185 pages of the previous one, which is either depressing or an encouraging indication of value for money, depending on one's point of view. The price is only 5s more than the last one. On the other hand, the stiff covers have been abandoned.

Another depressing fact, for which, however, the editors are in no way to blame, is the withdrawal of exemption from foreign immovable property which is either owned by persons who die while domiciled in Great Britain or otherwise passes on their deaths. This is the result of the Finance Act, 1962, which, with the 1963 Act, makes its appearance for the first time.

As may be expected, the quality of the notes is of the usual high standard one expects in connection with *Hanson*.

### Tax Harmonization in Europe

By Arthur Dale, F.A.C.C.A. (Taxation Publishing Co Ltd, London. 30s 10d post free.)

Many readers may recall Mr Dale's paper to the *Taxation* conference in 1962 dealing with the problems of tax harmonization. This book discusses in more detail and at greater length the pattern of taxation in the European Economic Community and contrasts the treatment in the various countries of different types of income, e.g. capital gains, foreign income, and other topics such as capital allowances, losses and stock valuation.

This is a most useful and essentially practical treatment of a complex subject and any accountant interested in tax matters in Europe will benefit from Mr Dale's researches. There is also a useful appendix containing relevant excerpts from the Treaty of Rome dealing with tax matters.

### The Church of England Year Book, 1964

(The Church Information Office, Church House, Westminster, London SW1, and the Society for Promoting Christian Knowledge, Holy Trinity Church, Marylebone Road, London NW1. 30s net, by post 31s 6d.)

Eighteen pages of statistical tables are included in the 1964 edition of this useful work of reference – now in its eighty-first year – together with lists of the principal clerical and lay officers in every diocese of the Church of England, details of the other Churches of the Anglican Communion in the United Kingdom and overseas and an alphabetical summary of legal information compiled under the authority of the Legal Board of the Church Assembly.

The statistical tables show that at the end of 1962 there were 17,902 parochial churches and chapels, including 12,291 principal parish churches, in England – the latest figures for clergy give a total of 16,267 (excluding chaplains to the Forces) in the provinces of Canterbury and York. Other tables show that in 1960 the ordinary annual incomes of parochial church councils amounted to £16,424,575, a rise of nearly £4 million since two years earlier, when the corresponding total was £12,792,481. The church-goer's average weekly contribution to this ordinary annual income, based on the numbers of electoral

roll members, was 2s 2½d an increase of nearly 30 per cent on the 1958 average of 1s 8½d. It is also shown that out of the total of nearly eighteen thousand parochial churches, chapels, conventional districts, etc., 13,410 had some method of systematic giving by 1960.

### The Hospitals Year Book 1964

Editor: J. F. Milne, M.C., B.Sc.(ECON.). (The Institute of Hospital Administrators, London. 66s net (by post 69s. 6d.))

The new edition of this work of reference has again undergone a thorough revision planned to ensure up-to-date and authoritative information for all branches of administration and management in the hospital and allied services. The hospital directory sections give full particulars of hospitals and hospital authorities in Great Britain, Northern Ireland and the Isle of Man. Other sections provide details of hospital finance, Government departments and statutory bodies, organizations concerned with hospital and health services, local health authorities, executive councils, the National Health Service Whitley Councils, and hospital contributory and provident schemes. The substantial reference section includes notes for hospital administrators on legal, technical and general subjects, as well as detailed indexes to statutory instruments.

### RECENT PUBLICATIONS

MODERN BUSINESS CORRESPONDENCE, by L. Gartside, M.B.E., B.COM., A.M.B.I.M. xii+460 pp. 9×6. 25s net. Macdonald & Evans Ltd, London.

THE LAW OF CONTRACTS IN A NUTSHELL, by John Rear, B.A.(OXON.). xii+86 pp. 7½×5. Paper covers. 10s. Sweet & Maxwell Ltd, London.

THE FINANCE AND ANALYSIS OF CAPITAL PROJECTS, by A. J. Merrett and Allen Sykes. xx+544 pp. 9×6. 45s net. Longmans, Green & Co Ltd, London.

THE ABC OF THE FOREIGN EXCHANGES, by Norman Crump. 7½×5½. viii+405 pp. 25s net. Macmillan & Co Ltd, London.

INCOME TAX, with supplement, by J. Leigh Mellor, LL.B. 8½×6. xxxi+210 pp. 30s net. Sir Isaac Pitman & Sons Ltd, London.

THE 'TRANSPORT PROBLEM', by C. D. Foster. xii+354 pp. 9×6. 40s net. Blackie & Son Ltd, London.

GREEN'S DEATH DUTIES, First Supplement to Fifth edition, by D. J. Lawday, LL.B.(LOND.), and E. J. Mann, LL.B.(LOND.). x+37 pp. 9½×6. Paper covers. 7s 6d net. Postage 4d extra. Combined with main work £6 17s 6d. Postage 2s 9d extra. Butterworth & Co (Publishers) Ltd, London.

REGISTERS AND RECORDS: Sources of Information, by Trevor M. Aldridge, M.A.(CANTAB.). Oyez Practice Notes No. 49. 78 pp. 8½×5½. Card covers. 15s post free. The Solicitors' Law Stationery Society Ltd, London.

REVENUE LAW, First Supplement (to September 1st, 1963), by Barry Pinson, LL.B. 36 pp. 8½×5½. Card covers. 7s 6d post free. Sweet & Maxwell Ltd, London.

ACCOUNTING STEP BY STEP, Book 1 – Accounting Reports, by R. G. A. Boland, B.A., F.C.A., and David Hall, M.A.(OXON.). 128 pp. 8½×5½. Card covers. 12s 3d. The English Universities Press Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.



# Finance and Commerce

## Innovation

THE balance sheet of The General Stockholders Investment Trust Ltd, which is shown in this week's reprint, introduces an innovation that might well become standard practice for investment trust accounts. Investments are shown at their market value, or in the case of unquoted securities, at directors' valuation, instead of at book cost less the net surplus on disposal of investments. On the other side of the balance sheet there is now, in a new capital reserve, the unrealized appreciation in valuation and the net surplus on disposal of investments.

This reserve, in effect, as Mr C. W. Garnett, the chairman, points out, represents the difference between the old and the new method of showing the investments.

It will be apparent, he says, that in future years both the value of investments and the amount of the capital reserve will fluctuate according to market conditions. It will also be realized that the balance sheet has always contained this information, but the amount of the valuation of investments was stated in an inset note. It is hoped, says Mr Garnett, that the new method of presentation will commend itself to members as giving a clearer and simpler picture of the value of their interest in the trust.

The previous year's figures have, of course, been adjusted to the new basis.

## Sound Reason

This is one of those accounting changes backed by sound reason somewhat akin to the showing of a debit balance on profit and loss account as a deduction from the capital entry on the liabilities side rather than as an 'asset'. One uses the quotation marks because the very thought of such a debit balance having anything in the nature of an asset in its constitution is the very reverse of common sense. Yet for years and years it persisted and anyone endeavouring to put sense into the balance sheet had to make the adjustment. Mr Garnett, in making this change, has the weight of accounting opinion in favour, for with him on the board are Mr J. E. Lloyd, F.C.A., and Mr J. G. S. Gammell, M.B.E., C.A.

Mr Garnett explains what he feels may be regarded as disappointing results in the revenue account, this time for fourteen months. Adjusting to a twelve months' period, he says, the comparison would be £149,158 against £150,083. But it would not be a fair comparison as revenue is not received proportionately over any given period and, in this case, the amount received in September and October was less than the previous average.

## More Encouraging

Actually, dividends and interest received in the year to August 31st last, the old accounting date, amounted to £156,198, an increase of £6,115. In order that ordinary shareholders might not be inconvenienced by the change in accounting date, a 10 per cent dividend, the same rate as for 1962, was paid in November and a final 1½ per cent, making 11½ per cent, is recommended with the accounts. In future, the ordinary dividend will be paid as one amount after the annual meeting which will be held in January.

Mr Garnett warns shareholders that this current year, with elections here and in the United States and all their attendant uncertainties, is bound to see fluctuations in capital values but the revenue outlook is 'much more encouraging'.

As a further point to consider in this fourteen months' revenue account under review, he points out that it is the board's custom to credit revenue account with the amount of double taxation relief received in the preceding year and thus £26,631, credited on this occasion represents the amount received in a twelve months' period only.

## Cranleigh Group

THE standard of reporting by leading industrial holding groups is generally high. It has to be if shareholders are to see into the workings of an organization of many parts. The report of the Cranleigh Group, however, deserves special mention.

Profits are analysed on a divisional basis – iron and steel, insurance, property, retail distribution and banking – and divisional capital, group loans and reserves are individually reconciled with the share capital and reserves total in the group balance sheet.

Divisional data is provided with the company make-up of each division, with separate division balance sheets and profit and loss accounts. The accounts, recently issued, cover the financial year to last June and some apparent tardiness in reporting can be excused by reason of major changes in the group which took place in the year under review.

It should be added that the information the report and accounts provide is not an innovation this year – it is normal Cranleigh Group service.

## Takeover Defeat

THE recent defeat of a take-over bid in Limerick city highlights the problems facing shareholders today, particularly in Ireland, where the provisions of the 1908 Companies Act are still applicable. The firm in question is Cannock & Co Ltd, a drapery departmental store dating back to 1833. Its share capital is £170,000 authorized, £93,500 issued, in fully paid £1 shares which were quoted last July at 28s 6d.

At an extraordinary general meeting held on January 7th, a bid of 45s per share was recommended by the directors to the shareholders present. In the absence owing to illness of the chairman, the

THE GENERAL STOCKHOLDERS INVESTMENT TRUST, LIMITED  
BALANCE SHEET, 31st OCTOBER, 1963.

31st August, 1962 (Adjusted)	£	£	£
<b>CAPITAL:</b>			
Authorised:—			
1,275,000 5s. per cent. Cumulative Preference £1 Shares	1,275,000		
1,800,000 Ordinary 5s. Shares	450,000		
275,000 Unclassified £1 Shares	275,000		
	<u>£2,000,000</u>		
Issued:—			
1,275,000 5s. per cent. Cumulative Preference £1 Shares	1,275,000		
1,800,000 Ordinary 5s. Shares	450,000		
	<u>1,725,000</u>		
<b>RESERVES:</b>			
Capital Reserve:—			
Unrealised appreciation in valuation and the net surplus on disposal of investments	1,938,314		
Revenue Reserve	131,288		
	<u>2,070,602</u>		
<b>DEBENTURE STOCK (Secured):</b>			
Authorised and issued:			
4s. per cent. First Debenture Stock, 1979/84	300,000		
	<u>300,000</u>		
<b>CURRENT LIABILITIES:</b>			
Debenture interest accrued (net)	1,378		
Preference dividend accrued (net)	28,634		
Proposed dividends on the Ordinary Shares (net)	31,997		
Purchases for future settlement	50,242		
Creditors	2,441		
Taxation	14,194		
Unclaimed dividends and fractions	3,259		
	<u>131,845</u>		
	<u>£3,507,846</u>		
			<u>£4,227,447</u>

NOTES: There are no contingent liabilities.  
Valuations of investments quoted outside Great Britain have been converted at the official rates of exchange, no account having been taken of the London premiums.

C. W. GARNETT, } Directors.  
J. E. LLOYD, }

## REVENUE ACCOUNT FOR THE FOURTEEN MONTHS ENDED 31st OCTOBER, 1963.

Year to 31st August, 1962	£	£	£
<b>Management Expenses:—</b>			
Directors' Remuneration	1,300	1,516	
General Expenses	5,796	6,841	
Auditors' Remuneration	278	278	
	<u>7,374</u>		
Debenture Interest	13,500	8,635	
General Interest	—	15,750	
Balance carried down	157,418	1,245	
	<u>£178,292</u>	<u>£200,648</u>	
<b>United Kingdom Taxation computed on the basis of the profit for the period:—</b>			
Income Tax	60,347	67,465	
Profits Tax	9,000	11,000	
	<u>69,347</u>		
Preference Dividend for the period (net)	42,952	78,465	
Interim Ordinary Dividend of 10 per cent. payable 23rd November, 1963 (net)	—	50,110	
Proposed Final Ordinary Dividend of 1s. per cent. payable 23rd January, 1964 (net)	27,563	27,563	
	<u>77,515</u>		
Transfer to Revenue Reserve	17,556	31,697	
	<u>£157,418</u>	<u>£175,018</u>	
			<u>£175,018</u>

## INVESTMENTS:

Investments at middle market value at 31st October, 1963, and at directors' valuation:—		
Quoted in Great Britain	1,940,835	2,388,304
Quoted outside Great Britain	1,269,427	1,581,010
	<u>3,210,262</u>	<u>3,969,314</u>
Unquoted	105,221	140,186
	<u>3,315,483</u>	<u>4,109,500</u>

## CURRENT ASSETS:

Sales for future settlement	12,710	10,199
Short Term Loan	60,000	55,000
Cash at bankers	119,653	52,748
	<u>192,363</u>	<u>117,947</u>

acting chairman reported on the background of the offer which had been made by the Castle Hosiery Co Ltd, Dublin, but the shareholders dissented. Their representative, Mr John Fitzgerald, F.C.A., placed on record their objection on the grounds of the complete inadequacy of the offer. Criticisms of the board of directors were voiced and a resolution calling on them to resign was put forward. The acting chairman ruled it out of order on the grounds that it was not on the agenda.

A report from an independent valuer was read to the effect that the company's premises, excluding goodwill, stock and debtors, was worth at least £250,000, compared with the offer of £229,500. After considerable discussion the offer was rejected, two of the four directors present voting with the dissidents. Finally, a further extraordinary general meeting was called for January 24th.

This further meeting, one of a number held on the same day, produced a bombshell. The first motion on the new agenda read as follows: "To pass a

resolution to the effect that the meeting is disassociated with the conduct of the directors and calls upon them to retire and that the meeting determine that it is inexpedient to act further as directors of the company'.

Both the chairman and the acting chairman had by this time retired and the new chairman, Mr Michael Roche (recently chairman of the shareholders' committee), promptly advised the meeting that the above resolution could not be accepted. It was not in accordance with company law, he said, because of the omission of the word 'extraordinary' before 'resolution'. The same applied to the other resolutions on the agenda.

The board was completely reconstituted, the 73-year-old Mr Roche commenting that he had been a shareholder of Cannock's since 1896. The shareholders will have the opportunity of reviewing proceedings further next April on the occasion of the annual general meeting. The shares have since been quoted at 50s.

#### THE GENERAL STOCKHOLDERS INVESTMENT TRUST, LIMITED

##### CLASSIFICATION OF INVESTMENTS

PERCENTAGES BASED ON VALUATION AT 31st OCTOBER, 1963

GEOGRAPHICAL DISTRIBUTION	CHARACTER OF UNDERTAKINGS							31st August, 1962 TOTAL
	Industrial	Banks, Insurance and Investment Trusts	Public Utilities	Oil	Financial Trusts, Land and Property	Mining	Government and Municipal	
1. Great Britain .. .. .	39.1	5.2	—	6.5	2.9	—	3.0	56.7
2. British Commonwealth (excluding 1 and 3)	1.9	.3	—	—	.4	1.9	—	4.3
3. Canada .. .. .	—	1.6	.7	.5	.9	.4	—	3.3
4. U.S.A. .. .. .	5.1	10.3	9.9	3.2	—	.3	—	28.8
5. Elsewhere .. .. .	2.6	1.6	.1	—	.4	1.2	—	6.7
Total 31st October, 1963 .. .. .	48.7	19.0	10.7	10.2	4.6	3.8	3.0	100.0
Total 31st August, 1962 .. .. .	48.0	20.1	10.0	9.2	5.4	3.6	3.7	100.0

##### DENOMINATIONS OF SECURITIES

	31st Oct., 1963	31st Aug., 1962
Bonds, Debentures, Debenture Stocks and Notes .. .. .	3.3	4.0
Preference and Preferred Ordinary Stocks and Shares .. .. .	.1	.5
Ordinary and Deferred Ordinary Stocks and Shares .. .. .	96.6	95.5
	100.0	100.0

##### RECORD OF EARNINGS AND ASSETS

Year to 31st Aug.	Total Gross Income	Expenses and Interest	Taxation	7% Preference Amount (net)	Dividend Rate	5½% Pref. Dividend (net)	Available for Ord. Shares	Ordinary Amount (net)	Dividend Rate	Market Value of Investments	Total Net Resources
	£	£	£	£	%	£	£	£	%	£	£
1954	103,236	2,895	49,358	38,500	7	—	—	—	—	1,783	1,783
1955	111,914	3,917	52,249	40,250	7	—	—	—	—	2,143	2,129
1956	124,293	5,929	57,913	80,500	14	—	—	—	—	2,040	2,061
1957	123,685	6,659	60,991	—	—	40,322	20,129	5,175	4	2,095	2,114
1958	128,021	6,822	62,912	—	—	40,322	15,713	6,469	5	2,034	2,038
1959	134,380	7,316	58,719	—	—	40,322	17,965	7,763	6	2,696	2,694
1960	164,162	20,971	63,472	—	—	42,952	25,393	12,250	6½	3,308	3,381
1961	179,987	21,158	70,406	—	—	42,952	36,767	18,375	10	3,505	3,613
1962	178,292	20,874	69,347	—	—	42,952	45,471	18,375	6½	3,315	3,427
14 months to 31st Oct., 1963	200,648	25,630	78,465	—	—	50,110	46,443	31,697	11½	4,109	4,096

Note—During the year ended 31st August, 1956, the capital of the company was reorganised; and in the years ended 31st August, 1959 and 31st August, 1961, the Ordinary Capital was increased by £75,000 and £150,000 respectively by way of capitalisation of reserves. The company's resources were increased by £250,193 as a result of the Debenture issue made 1st September, 1959.

THE  
ACCOUNTANT  
CITY NOTES

February 22nd, 1964

THE stock-markets are currently displaying all the signs of political nerves. Share prices are whipped up or down according to which politician gets the bigger headlines.

Business behind the movements is small. Inevitably, any rally after a fall is attributed to 'selective investment support at the lower prices', just as a setback is attributed to 'marking down of prices following a withdrawal of support and the appearance of small sellers'.

The fact is that it is a jobbers' market now. The object is to keep the book as even as possible and if that means sharp marking up or down in quotations — so be it. To put such sharp movements down to changes in investment sentiment is somewhat far-fetched. Sentiment can hardly change three times in a day.

The rank and file investor seems by now to have made up his mind either to stay out of the market or to keep in and 'grin and bear it'.

Probably the worst thing to do under present circumstances is to try to play the market at its own game by attempting to buy on an apparently dull day or to sell on a bright one. Short-term operation now is a dangerous business since this side of the General Election the market must continue to be prone to wide price fluctuations which have little connection with true investment considerations.

REGARDLESS of the state of the stock-market, money continues to flow into unit trusts. Figures for January show that although the market shake-out meant that the value of trust funds fell by close on £11 million to £360.4 million, unit trusts attracted net new investment of £5.6 million compared with £4.8 million in January when the stock-market was still rising.

What is more, there were four block offers of units

and one initial offer in December and only two block offers plus one initial issue last month. In January last year when there was no initial trust flotation but four block offers, the net investment figure was just under £3.9 million.

CONSTERNATION caused by the bank's decision to look seriously at the question of closing on Saturdays is unlikely to be lessened by consideration of the basic reason why the point is being considered. The reason basically is competition in the labour field.

While there are 'No Saturdays' jobs plus luncheon vouchers and so forth in many other spheres, the banks are on the losing end of their particular labour market. Although the banks will probably not admit that the problem is quite so simple, the brass tacks of the matter are just about as sharp as that. Particularly so when mechanization has made bank clerking, at its lowest common denominator, a push-button business that needs a feminine rather than a masculine touch.

POTATO crisps have become big and, for the first time, profitable business for The Imperial Tobacco Company. The Golden Wonder Crisps Co is an Imperial Tobacco subsidiary and showed 'a small trading profit' last year, to quote the Imperial Tobacco Company's report.

But the money that goes into potato crisp production is heavy. Of the increase of nearly £3.2 million in Imperial's net fixed assets last year, £660,349 was attributable to the crisp company, partly in respect of further expenditure at the main Widnes works, and partly on a new factory being built at Corby. The Widnes works were opened in 1962 and last year there was a 'further substantial increase' in sales and production.

## RATES AND PRICES

Closing prices, Wednesday, February 19th, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Foreign Exchanges			
Dec. 8, 1960	5%	Mar. 8, 1962	5½%	New York	2.79½	Frankfurt	11.10½
July 26, 1961	7%	Mar. 22, 1962	5%	Montreal	3.02	Milan	1740½
Oct. 5, 1961	6½%	April 26, 1962	4½%	Amsterdam	10.08½	Oslo	20.03½
Nov. 2, 1961	5%	Jan. 3, 1963	4%	Brussels	139.37½	Paris	13.70½
				Copenhagen	19.35½	Zürich	12.10
Treasury Bills				Gilt-edged			
Dec. 13	£3 14s 8.89½%	Jan. 17	£3 14s 3.63d%	Consols 4%	64½	Funding 3% 59-69	91½
Dec. 20	£3 14s 4.45½%	Jan. 24	£3 14s 3.81d%	Consols 2½%	41½	Savings 3% 60-70	87
Dec. 27	£3 14s 5.08½%	Jan. 31	£3 15s 2.01d%	Conversion 6% 1972	104½	Savings 3% 65-75	79½
Jan. 3	£3 14s 4.19½%	Feb. 7	£3 15s 5.97d%	Conversion 5½% 1974	100½	Savings 2½% 64-67	92½
Jan. 10	£3 14s 3.33½%	Feb. 14	£3 15s 6.84d%	Conversion 5% 1971	98½	Treas. 5½% 2008-12	90½
				Conversion 3½% 1969	92½	Treasury 5% 86-89	89½
				Conversion 3½%	57½	Treasury 3½% 77-80	77½
				Funding 5½% 82-84	96½	Treasury 3½% 79-81	76½
				Funding 4% 60-90	94½	Treasury 2½%	41½
				Funding 3½% 99-04	64½	Victory 4%	95½
				Funding 3% 66-68	91½	War Loan 3½%	57½
Money Rates							
Day to day	2½-3½%	Bank Bills					
7 days	2½-3½%	2 months	3½-3¾%				
Fine Trade Bills		3 months	3½-3¾%				
3 months	5-5½%	4 months	3½-3¾%				
4 months	5-5½%	6 months	3½-4%				
6 months	5½-6%						

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed*

## Diploma in Management Accounting

SIR, - I am sure the envisaged joint diploma is a very worth-while proposition if only because it will give recognition to the great development in the management/industrial accounting field in recent years.

However, in connection with the condition of 'wide practical experience over a period of years', I feel that few potential candidates could be expected to have had a wide experience in the age group to which this is likely to appeal, and I feel that it would be better if it were possible to substitute 'satisfy an interview board that they have had executive accounting experience'; or better still, say, just ten years' accounting experience at the time of granting the award.

In connection with the proposed thesis and oral examination, I would suggest in the light of the development of present day study techniques that this be expanded to include case studies and project work at a recognized institution of higher education.

Yours faithfully,

E. C. D. EVANS,

B.SC.(ECON.), F.A.C.C.A., A.C.I.S., A.M.B.I.M.,

*Director of Studies,*

SCHOOL OF ACCOUNTANCY STUDIES,

SLOUGH COLLEGE.

*Slough, Bucks.*

SIR, - The letter from Mr Isaac Bartfield in your issue of February 8th is almost too incredible to believe. It is this attitude of myopia and obscurantism which is the real barrier to improvement in accounting standards, and which helps to preserve the image of the accountant as a mere book-keeper, concerned only with balancing the books.

All far-sighted and responsible accountants must surely welcome the establishment of the Joint Diploma in Management Accounting, which is a first cautious step to raising standards of competence. Mr Bartfield advances the astonishing proposition that this move, which affects the future development of the profession, should take second place to the current problems of the small practitioner who has apparently become over-burdened with arrears of work. If the small practitioner were to plan the future needs of his practice, as the Institute is now trying to do for the entire profession, he may not accumulate the arrears of work which Mr Bartfield is so anxious to clear up. And why the Institute should give preference to helping him to do so, instead of studying the problems of future development of the profession, is a mystery which Mr Bartfield's comments do not explain.

Does Mr Bartfield realize that there are thousands

of accountants who are not small practitioners and who have problems also? But current problems are no excuse for neglecting future needs. If we do not think about the future now, we may find one day that there is no future.

Yours faithfully,

J. A. REDMAN, F.C.A.

*Ruislip, Middx.*

## Marginal Costing

SIR, - Although he is groping forward on the right lines, Mr E. J. Broster in his article 'The Concept and Practice of Marginal Costing - I', (February 15th issue) makes a number of mistakes to which attention should be drawn.

In the first place, the possibility of marginal cost actually declining with increased output is so remote, at least in the short run, that it should have been omitted altogether. Declining marginal cost with increased output means that *total* (not unit) fixed and variable cost are actually lower for increased output.

When capital equipment or overheads are under-utilized, unit fixed costs will decline with increased output, but such unit fixed costs are represented not by a U-shaped curve but by a rectangular hyperbola, and the marginal curve corresponding to a rectangular hyperbola is always a straight line parallel with (or coinciding with) the  $x$  axis.

Mr Broster seems obsessed with the idea that only one curve should represent changes of cost in response to changes of output. In fact, the cost situation when capital equipment is under-utilized is qualitatively different from the situation when capital equipment is over-utilized, and such qualitative change should be represented by an altogether new total fixed cost curve which instead of being parallel with the  $x$  axis will be upward rising and, will pass through the origin. The straight line parallel with the  $x$  axis will apply when total fixed costs are under-utilized; the upward rising curve will apply when total fixed costs are over-utilized.

Mr Broster's final error is in supposing that the marginal variable cost curve is simply the derivative of the total variable cost curve. One of the basic tests to apply to the total, unit and marginal variable cost curves to see whether they correspond with each other, is simply to find out whether they all intersect each other when output is *one* unit.

Let cost be represented along the  $y$  axis and let output be represented along the  $x$  axis, then we may obtain the following curves:

$$\begin{array}{ll} \text{Unit variable cost curve} & \dots y = x \\ \text{Total variable cost curve} & \dots y = x^2 \\ & \frac{dy}{dx} = 2x \end{array}$$

If output ( $x$ ) is 1, then we find that the unit variable cost curve intersects the total variable cost curve but *not* the derivative of the total variable cost curve, so that the derivative of the total variable cost curve *cannot* be the corresponding marginal curve.

If the marginal variable cost curve is not the derivative of the total variable cost curve, what exactly is it? The marginal variable cost curve is, in fact, the derivative of the total variable cost curve.

minus  $1 \times$  coefficient of  $x^2$  in the total variable cost equation.

minus  $2x^3 \times$  coefficient of  $x^3$  in the total variable cost equation.

minus  $3x^2 \times$  coefficient of  $x^4$  in the total variable cost equation.

The marginal variable cost curve corresponding to  $y = x^2$  is therefore:

$$\begin{aligned} \text{not } y &= 2x \\ \text{but } y &= 2x - 1 \end{aligned}$$

It will now be observed that if output ( $x$ ) = 1, then  $y$  equals 1 for unit total and marginal variable cost curves.

The expression variable cost curve should be taken to include over-utilized fixed costs but *not* under-utilized fixed costs. Marginal under-utilized fixed cost is always zero.

The relationship between cost and output is capable of being graphically represented. Nevertheless such a method of presentation must be used with care and with a certain degree of mathematical skill. Most of the faults in Mr Broster's analysis, in fact, originate from A. C. Pigou's *Economics of Welfare*. Mistaken concepts such as a U-shaped unit cost curve complemented by a U-shaped marginal cost curve were first propounded in this book. This book is also responsible for showing marginal and unit cost curves intersecting where output is zero instead of where output is one unit.

Yours faithfully,

London W1.

P. L. GRIFFITHS.

### Training of Articled Clerks

SIR, - Mr C. V. Best's letter in your February 1st issue shows very clearly the apparent attitude of the Institute to technical college courses.

I understood that accountancy training was becoming more liberal and that the object in future would be to educate and not merely train audit clerks. Yet on the one hand, Mr Best speaks of the aim being 'not merely the passing of examinations', and on the other the need to have courses 'conducted by those who have current experience in the practising side of the profession'. In my view one part contradicts the other. Let the articled clerk have his practical experience by all means, but if he is to broaden his horizons and not merely pass examinations then he must be taught by experienced lecturers. We, at technical colleges, are not (as Mr Best would have us) 'schoolmasters'. All the staff lecturing on accountancy and costing at this College are qualified accountants who have had industrial experience within very recent years. Moreover, the practice of carrying out research on practical problems, in conjunction with industry, is encouraged.

On the matter of co-operation with colleges, I would like to add that I have seen no evidence that the

students' societies or members' societies do relish the idea of clerks attending part-time day or evening courses. Indeed, we in colleges despair of the day when all the talk of co-operation becomes a reality; i.e. when students actually enrol for courses. My experience on this matter extends to a number of colleges.

If any member concerned with students would like to discuss the establishment of suitable courses he would find no lack of enthusiasm either at this college or any others.

Yours faithfully,

J. BATTY.

Head of Business Studies Department,  
Harrow. HARROW TECHNICAL COLLEGE.

### Current Accounts

SIR, - Recent comments in your columns on the way to account for replacement values of fixed assets, particularly Mr Abd El-Motaal's helpful letter in the issue of February 15th, draw attention to the prevailing practice of causing income and expense to by-pass the profit and loss account in certain cases.

Given that the balance sheet is an attempt to represent the situation at a particular point in time, and the profit and loss account is a reconciliation between two such points in time, then it follows that the profit or loss figure is the flex which joins two balance sheets. No event applicable to the period - not even a non-recurring event such as a sudden increase or decrease in asset values arising out of extraneous factors - should be omitted from the profit and loss account, although it would be imprudent not to show such an event as a separate item. The practice of 'playing on the reserves' is a dangerous one, and we may note with some concern that it is still fairly common, even in companies which pride themselves on their presentation of accounts.

I am not referring to adjustments of prior years, which do frequently find their way into profit and loss accounts but should be rigorously excluded therefrom and shown as what they are - balance sheet adjustments. In so far as the appropriation account is truly a balance sheet adjustment account, it is the proper place for such entries - but then it should not be called a profit and loss account.

If the distinction between capital and income were fully understood by accountants then changes in replacement values of replacement assets would more readily be shown in profit and loss accounts. The resistance to change which our current controversy on this subject reveals stems from fundamental weaknesses in our methods of teaching accounting theory. No one who has occasion to use published financial reports for comparative studies can fail to notice this problem.

Yours faithfully,

KENNETH S. MOST, LL.B., F.C.A.  
London SW7.

# German Accountants' Conference

## HARMONIZATION OF TAXES AND COMPANY LAW

The 1964 Fachtagung of the Institut der Wirtschaftsprüfer in Deutschland was held in Munich on January 30th and 31st, during the season of Fasching or carnival. Professional accountancy bodies in Austria, Belgium, Denmark, France, Great Britain and Ireland, Holland, Italy, Luxembourg, Sweden and Switzerland had been invited to send representatives.

The Institute of Chartered Accountants in England and Wales was represented by Mr S. John Pears, F.C.A., Past-President, and Mr G. B. Pollard, F.C.A.; The Institute of Chartered Accountants of Scotland by Mr William L. Milligan, C.A., President, and Mr E. H. V. McDougall, Secretary; The Institute of Chartered Accountants in Ireland by Mr Robert P. F. Olden, F.C.A., President, and Mr W. Stuart Orr, Secretary; The Association of Certified and Corporate Accountants by Mr V. R. Chennell, F.A.C.C.A., President, and Mr J. E. Harris, F.A.C.C.A., Past-President. Other British guests included Mr Alexander McKellar, C.A., President of the 1963 European Congress of Accountants in Edinburgh, Sir Thomas Robson, F.C.A., a Vice-President of the Union Européenne des Experts Comptables Economiques et Financiers, Mr James C. Stewart, C.A., Past-President of the Scottish Institute, and Mr Douglas A. Clarke, LL.B., F.C.A.

The Fachtagung sessions held in the Kleine Kongresshalle in the Ausstellungspark in Munich, were opened on Thursday, January 30th, by Dr Wilhelm Elmendorff, W.P., retiring President of the Institut. He said that their proceedings were no longer continental but fully European now that the professional bodies in Great Britain, Holland and Scandinavia had joined the U.E.C.

### Five Subjects Considered

In the absence of Herr Kurt Schmücker, Federal Minister for Economic Affairs, an address was given by Herr Alfons Goppel, Minister President of Bavaria, who recognized the ability of Wirtschaftsprüfer to achieve flexibility in their advice for dynamic businesses and still to insist on formality in matters of legal requirement. The Fachtagung then proceeded to consider five main subjects during the two days.

The 'Harmonization of commercial law' in the countries of the Common Market was the subject of an address by Ministerial Director Professor Dr Ernst Gessler, of Bonn, who said that the co-ordination of the company laws in the six countries was proving a major task; many of the difficulties arising from differences in tax laws over the national frontiers. The discussion of this subject was carried further by Director Herbert Bruns, of Brussels, who said that five countries had decided to reform their company laws and that co-ordination step by step must precede the achievement of identity of law.

At the Thursday afternoon session, Dr Max Schwarz, *Wirtschaftsprüfer* and *Rechtsanwalt* in Munich, spoke on company accounts, particularly in

relation to provisions and to the limitation of secret reserves. Professor Dr Ernst Gessler considered that methodical planning of the sums to be written off would help to prevent the manipulation of profits; while Dr Ernst Schneider, of German Industry and Commerce (D.I.H.T.), referred to secret reserves, particularly from the point of view of the needs of a living business.

Diploma-Kaufmann Hermann Greiffenhagen, W.P., the new President of the Institut, spoke on the third subject, 'Conflicting development between commercial law and tax law', and said that many divergencies were arising which caused difficulties for the auditor. In the discussion on this subject, Minister-Rat Dr Gottfried Merkel considered it would be impractical to have too great a similarity between the two systems of law and he doubted whether similarity would help the profession.

### Indirect Taxes

The 'Harmonization of tax law in Common Market' countries was the fourth subject, on which Ministerial Director Dr Ludwig Falk, of Bonn, gave an address. He said that progress had been made in the harmonization of indirect taxes, tax frontiers inside the Common Market were being reduced, and cascades of taxes were ending. The Treaty of Rome did not require harmonization of direct taxes and it was difficult to say in which order they should be compared and co-ordinated. Consumption taxes, such as that on cigarettes, were also capable of harmonization, although this might have a big financial effect on the member States. In such a vast matter as tax harmonization, one step must be taken at a time and disadvantages must be accepted. In the discussion on this subject, Dr Hans Flick, of German Industry and Commerce (D.I.H.T.), referred to the Richardson inquiry proceeding in England as to the possibility of substituting a turnover tax for profits tax in order to help exports. In Germany there was at the present time some passivity on tax questions, and more was being done on taxes in Brussels than in Bonn.

The fifth paper was given by Wirtschaftsprüfer Dr Anton Glade, on the 'Effects of judgments in the constitutional court on tax law', which was discussed by Dr Eberhard Littman, a Federal judge.

Thursday's proceedings included a banquet at the Bayerischer Hof Hotel at which Professor G. L. Groeneveld, President of the Nederlands Instituut van Accountants, made the principal speech. On the Friday evening, the Bavarian State Opera gave a special performance of Mozart's *Marriage of Figaro* in the Cuvillies Theatre, an intimate court theatre in rococo style of the former Bavarian royal family.

During the conference, a telegram of greetings was received from Professor Ludwig Erhard, Federal Chancellor, who recalled the interest with which he had followed the similar conferences in earlier years.

**FOR STUDENTS**

# Income Tax: Premiums on Leases

Before 1963-64 the receipt of a premium on a lease was broadly regarded as being in the nature of a capital receipt and was not taxable except where the premium entered into the computation of a short-term capital gain under Case VII.

Obviously tax could be avoided by commuting rent in the form of premiums and it is to prevent this that the Finance Act, 1963, provides that premiums received under leases for periods of less than fifty years are to be assessed to income tax. A premium is to be regarded as rent arising when the lease is granted, but a deduction of one-fiftieth of the premium is allowed for each complete year after the first.

**Example 1**

On August 1st, 1963, M. granted a lease to X. for a period of twenty-one years, and under the terms of the lease X. paid M. a premium of £2,000 when the lease was granted. M. would be regarded as receiving the following additional rent, assessable for 1963-64:

Premium payable	..	..	..	..	£ 2,000
Less: $\frac{21-1}{50} \times £2,000$	..	..	..	..	800
					<u>£1,200</u>

Alternatively this may be expressed as:

Premium payable	..	..	..	..	£ 2,000
Less: 2 (21-1) per cent = 40 per cent	..	..	..	..	800
					<u>£1,200</u>

The amount of £1,200 would be added to the rent receivable in the excess rent computation for 1963-64 but the Finance Act, 1963, specifically states that this addition shall not increase the statutory repairs allowance.

For 1964-65 onwards when rents will be assessable under the new Case VIII of Schedule D, the chargeable premium will be included in the Case VIII computation instead of in the excess rent computation.

In determining the duration of a lease, the lease must be regarded as ending on the earliest date on which it could be terminated on notice by either landlord or tenant.

Thus, in Example 1, if the lease could be broken by M. or X. after seven and fourteen years, the chargeable premium would be £2,000 less 12 per cent (£240) = £1,760.

It remains more advantageous, of course, to receive a sum as a premium rather than as rent, because if the lease is for fifty years or less but more than twelve months, there is a reduction in the amount chargeable.

If a premium is payable by instalments, the recipient may elect to have the actual amount of each instalment treated as rent when it becomes due. In that event there is no percentage deduction from the instalment of premium.

Various other payments are also to be treated as premiums.

**Surrender, Variation or Waiver of Lease**

A sum payable by the tenant as consideration for the surrender or for the variation or waiver of any of the terms of the lease is to be treated as a premium. In that event the date of surrender, variation or waiver determines the year for which the receipt is assessable and the period of the lease is calculated from the granting of the lease to the date of surrender.

**Example 2**

A. granted a lease to B. at a rent of £1,000 per annum, for a period of twenty-one years commencing on August 1st, 1963. Under the terms of the lease B. could surrender the lease on July 31st, 1976, upon giving notice and paying a sum of £1,500.

Assuming that B. did surrender the lease as provided, the additional amount assessable for 1976-77 would be:

Amount paid on surrender	..	..	..	£ 1,500
Less: 2 (13-1) per cent	..	..	..	360
				<u>£1,140</u>

(Note: The thirteen years are calculated from August 1st, 1963, to July 31st, 1976.)

**Payment in Lieu of Rent**

A payment in lieu of rent is treated in the same way as a payment in consideration for the surrender of the lease except that the duration of the lease is taken to be the period for which the lump sum is payable.

**Example 3**

The facts are as in Example 2 except that the lump sum was payable in lieu of rent for the remaining eight years of the lease. The amount assessable then becomes £1,290 as follows:

Sum payable in lieu of rent	..	..	..	£ 1,500
Less: 2 (8-1) per cent	..	..	..	290
				<u>£1,290</u>

(Note: In this case the eight years are calculated from August 1st, 1976, to July 31st, 1984.)

If the lump sum is payable to someone other than the landlord it will not be treated as rent but will be assessable on the recipient under Case VI of Schedule D.

**Improvements carried out by Tenant**

Where the terms of a lease impose on the tenant an obligation to carry out any work on the premises, the cost of which would not be allowed as a deduction from the rent if carried out by the landlord - this excludes maintenance expenditure - the landlord will be treated as receiving a premium of an amount equal to the amount by which the landlord's interest in the property immediately after the commencement of the



lease exceeds what the value would have been had the obligation to do the work not been imposed on the tenant.

#### Example 4

P. let a property to Q. under the terms that Q. would make structural alterations. It is established that carrying out this work will enhance the value of P.'s reversion in the premises by £5,000. The lease commenced on June 24th, 1963, and was for a period of twenty-one years.

For tax purposes, the rent receivable in 1963-64 will be regarded as having been increased by £3,000 calculated as follows:

Notional premium .. .. .	£	5,000
Less: 2 (21-1) per cent .. .. .		2,000
		<u>£3,000</u>

To give an individual relief from the disproportionate amount of surtax that would be payable as a result of the amount of a premium treated as rent forming part of the total income for one year, a formula is laid down - similar to the 'top-slicing' in connection with 'golden handshake' payments - which is intended to charge the payment to surtax as if it had been spread over a number of years.

#### CORRECTION

In the article for students on 'Discontinued Businesses: Effect of the Finance Act, 1963' in the issue of February 1st, the figure of £6,000 for profits for the year to April 30th, 1961, in Example 1, should have read £3,000.

## In Parliament

### Exchequer Accounts: Reform

Mr IREMONGER asked the Chancellor of the Exchequer whether he proposes to prepare and present his Budget on the lines of Command Paper No. 2014 of 1963, The Reform of the Exchequer Accounts.

Mr MAUDLING: My intention is that the financial statement this year should be in the same form as in previous years. But I hope to indicate in the course of my Budget statement the lines on which I think we can best make further progress in revising the form of the exchequer accounts and dealing with related matters.

Mr IREMONGER: I thank my right hon. friend for that reply. Will he try to bring out this year the financing requirement, which is, from the economic point of view, the only vital piece of information that we need to know?

Mr MAUDLING: I will certainly try to do that. This is not an easy problem to solve. The difficulty is to give the House as guardian of the public purse the necessary financial information and at the same time to give the House and the public the necessary economic picture.

*Hansard*, Feb. 4th, 1964. Oral Answers. Col. 957.

### Speculative Gains Tax

Mr RIDLEY asked the Chancellor of the Exchequer when he will publish the yield of the speculative gains tax for the year 1962-63.

Mr GREEN: Figures should be available in about a year.

Mr RIDLEY: Is the Financial Secretary aware that that is a long time to wait for the results of this very important tax? Is he further aware that in some quarters in the City it is now beginning to be realized that this tax has been of advantage to the speculator, who can write off his losses against the payment of tax under this head? Will he ask his right hon. friend to look very closely at it again in the coming Budget?

Mr GREEN: I can certainly promise continuous examination of this and all forms of taxation, but, in response to the earlier part of my hon. friend's supplementary question, I am afraid that this is the way in which the system works.

*Hansard*, Feb. 4th, 1964. Oral Answers. Col. 951.

### Schedule A

Mr WADE asked the Chancellor of the Exchequer what is the total number of demands for Schedule A Income Tax that have been sent out for the current year.

Mr GREEN: About 3½ million.

*Hansard*, Feb. 4th, 1964. Oral Answers. Col. 952.

Mr FANKIN: Is it not the case that owner-occupiers in Scotland who pay feu-duty will continue to pay Schedule A tax?

Mr GREEN: The position after this year will be that the owner-occupier paying either ground-duty or feu-duty will pay the full amount of that ground-rent or feu-duty, without deduction of tax, to the ground landlord who, in his turn, will be responsible for any tax that properly falls upon it.

Mr CALLAGHAN: Is it not also the case that the person who pays the ground-rent will not be able to regard it as a charge on his income next year and, to that extent, will be worse off than he has been so far?

Mr GREEN: Rent has never been regarded in the light in which the hon. gentleman is apparently now suggesting it should be regarded. It is a perfectly proper expense incurred by people on whom it falls to pay it, and there are no grounds for thinking differently now.

*Hansard*, Feb. 4th, 1964. Oral Answers. Col. 953.

### Tax Allowances: Dependent Relatives

Mr RIDLEY asked the Chancellor of the Exchequer what evidence is required by the Commissioners of Inland Revenue to prove the existence of dependent relatives abroad for whom United Kingdom income tax allowances are claimed.

THE FINANCIAL SECRETARY TO THE TREASURY (Mr ALAN GREEN): This varies with the allowance claimed. For wives and children marriage and birth certificates are normally called for. Where it is not practicable to

insist on such certificates, alternative evidence such as an affidavit sworn by the dependant before a local magistrate is required; and a similar test would normally be applied for other dependent relatives abroad.

Mr RIDLEY: Is my hon. friend aware that some immigrants seem to have an inordinate number of dependent relatives still living abroad and that some solicitors who swear affidavits may not be of such impeccable standards when they live abroad rather than here? Will my hon friend urge the Chancellor to look into this matter from the point of view that some immigrants seem to be paying no tax at all due to this cause?

Mr GREEN: I can assure my hon. friend that the Inland Revenue has considerably strengthened its defences against unreasonable claims in recent years.

*Hansard, Feb. 4th, 1964. Oral Answers. Col. 949.*

### Companies: Capital Allowances and Gross Dividend

Mr CALLAGHAN asked the Chancellor of the Exchequer if he is aware that certain companies in receipt of large capital allowances for tax purposes have been assessed on profits totalling £127 million but have paid gross dividends of £228 million to their shareholders; what is his estimate of the loss of revenue in these cases; and what action he intends to take.

Mr MAUDLING: Yes. The companies concerned have paid the proper rate of tax on their profits and subsequent payment of dividends cannot of itself lead to any loss of revenue. Any question of subsequent repayment or charge to surtax depends upon the circumstances of the recipient of the dividend.

*Hansard, Feb. 4th, 1964. Written Answers. Col. 126.*

## Notes and Notices

### PROFESSIONAL NOTICES

MESSRS CLAPTON & MILLAR, Chartered Accountants, announce that as from February 12th, 1964, their address is 29 New Canal, Salisbury, Wilts. Telephone 6569.

MESSRS FORD, RHODES, THORNTON & Co, Chartered Accountants, of Colombo, Ceylon, announce that Mr G. C. B. WIJEYESINGHE, A.C.A., and Mr W. G. S. BOTEJU, A.C.A., have been admitted to partnership as from February 1st, 1964. The style of the firm remains unchanged.

MESSRS MILLS & BLACK, Chartered Accountants, of Derwent House, Dale Road, Matlock, Derbyshire, regret to announce the death of their senior partner Mr A. NEVILLE MILLS, F.C.A.

MESSRS PAYNE & Co, Chartered Accountants, of Smethwick, announce that Mr G. O. HOLDEN, A.C.A., has been admitted as a partner as from February 1st, 1964.

### OBITUARY

#### E. H. Keyte, A.I.M.T.A., F.S.A.A., A.C.I.S.

We have learned with regret that Mr Edward Henry Keyte, A.I.M.T.A., F.S.A.A., A.C.I.S., died suddenly on January 26th at the age of 51 after a long illness.

Following service with various local authorities, Mr Keyte became deputy Borough Treasurer of Southend-on-Sea in July 1945. He was appointed Finance Officer of the Brighton & Lewes Hospital Management Committee in August 1948, and joined the King Edward's Hospital Fund in January 1950, as assistant to the Director, Division of Hospital Facilities. Subsequently he became Assistant Director (Accounting) at The Hospital Centre.

In recent years Mr Keyte had given particular attention to the accounts of the independent hospitals, to costing, and to the application of electronic

computers to hospital accounting. He leaves a widow, a married daughter and a son.

#### Stanley Fergusson Shuttleworth, F.C.A.

It is with regret that we record the death on February 11th of Mr S. F. Shuttleworth, F.C.A., senior partner in the London office of Cooper & Cooper, Chartered Accountants.

Mr Shuttleworth joined Cooper & Cooper in 1909 and was subsequently articled to Mr A. Tyas Cooper. In August 1914, when in Berlin on business, he was, with other members of the firm, interned in Ruhleben Camp, where he remained until 1918. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1921 and became a partner in Cooper & Cooper in 1927.

Mr Shuttleworth was a Freeman of the City of London and a member of the Horners Company. He was also a member of the Committee of the Ruhleben Association and took a prominent part in the organization of its annual reunions. An active church man, he served his parish church of St Jude-on-the-Hill, NW11, for many years as Treasurer and subsequently as Vicar's Warden.

### DOUBLE TAXATION RELIEF: LUXEMBOURG

Discussions have been held in Luxembourg between representatives of the tax administration of Luxembourg and the Board of Inland Revenue of the United Kingdom to negotiate an agreement for the avoidance of double taxation between the two countries. Agreement was reached at the official level, and a draft embodying the terms of the arrangements was initiated on February 14th. The draft agreement will now be submitted to the two Governments for approval.

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### REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

**THE INSTITUTE OF CHARTERED  
ACCOUNTANTS IN ENGLAND AND WALES****President's Luncheon**

The President of The Institute of Chartered Accountants in England and Wales, Mr Robert P. Winter, and the Vice-President, Mr W. Guy Densem, gave a luncheon party on Wednesday at the Dorchester Hotel. The guests were:

The Lord Chancellor; Lord Brain, Mr J. T. Molony, Mr R. Moore, Sir William Lawson, Mr Percy F. Carpenter, Mr C. Croxton-Smith and Mr C. Evan-Jones.

**RECEPTION IN MELBOURNE****Mr Percy F. Hughes Guest of Honour**

Mr Percy F. Hughes, Editor-in-Chief of *The Accountant* and Chairman of Gee & Co (Publishers) Ltd, was the guest of honour at a reception given in Melbourne last week by the Australian Society of Accountants. The function was held at the Royal Automobile Club of Victoria and the sixty guests present included representatives of Government departments, accounting, banking, insurance, the Stock Exchange, education and the financial Press.

Mr Hughes, accompanied by Mrs Hughes, has also visited Sydney, Perth and Canberra during the past fortnight and this week he is attending the Guest Night Dinner and some of the sessions of the first residential Summer School of the New Zealand Society of Accountants at the University of Otago, Dunedin.

On their way to Australia and New Zealand, Mr and Mrs Hughes visited Bombay, Singapore and Manila, and in the latter city Mr Hughes met the Philippines Commissioner of Internal Revenue, the Secretary of Finance, and also members of the Philippine Institute of Accountants.

**LIVERPOOL SOCIETY OF  
CHARTERED ACCOUNTANTS****Intermediate Prize**

The Committee of the Liverpool Society of Chartered Accountants announces that its Intermediate Prize will be awarded to the candidate who, being a member of the Liverpool Chartered Accountant Students' Association or any one of its constituent branches, gains the highest place in the Institute's Intermediate Examination held in November last. The prize will take the form of a book to be chosen by the President of the Society.

It is the responsibility of the student to apply for the prize. Applications should state the position gained in the examination and should be sent to the Hon. Secretary, Liverpool Society of Chartered Accountants, The Library, 5 Fenwick Street, Liverpool, 2, within two calendar months after the promulgation by the Institute of the results of the examination.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

'A Cry in the Night' is the title of a very remarkable and dramatic film which will be shown at a meeting of the Fellowship at 6 p.m. on Wednesday next, in the Oak Hall of the Institute of Chartered Accountants, Moorgate Place, EC2.

The showing of the film will be followed by a business session for the annual general meeting of the Fellowship. All who are interested will be welcome.

**THE CHARTERED ACCOUNTANT STUDENTS'  
SOCIETY OF LONDON**

The following meetings of the London Students' Society will be held during next week:

*Monday* - Visit to Martins Bank (limited number).

5.30 p.m., at the Institute, Moorgate Place, EC2.

Lecture on 'Inflation and the international monetary scene' by Mr A. R. Hiersic, M.Sc.(ECON.), B.COM. (Lecturer in Economics in the University of London).

*Tuesday*, 6 p.m., at the Institute: Debate on the motion 'The profession cannot survive the next fifty years'.

*Thursday*, 5.15 p.m., at the Institute: Introductory course lectures on 'The fundamentals of business' by Mr R. J. Carter, B.COM., F.C.A. and 'The law and its branches' by Mr P. W. Medd, Barrister-at-law.

*Friday*, 10.30 a.m., at Westcliff: Introductory course lectures on 'Proving the accuracy of records' and 'Legal differences in the ownership of business' by Mr R. E. G. Perrins, A.C.A.

2 p.m., at Westcliff: Advanced course on amalgamation and reconstruction of companies.

5.15 p.m., at the Institute: Introductory course lecture on 'The English judicial system' by Mr P. W. Medd, Barrister-at-law.

**MANAGEMENT ACCOUNTING COURSES**

Excess stock reduces the rate of return on investment and as the costs of labour and materials increase, so does the cost of holding work in progress become more onerous. 'Stock control and reduction', is the title of a one-day course to be held in London on March 3rd, which sets out to analyse the problem into its component parts and to show methods of reducing present stocks and controlling future holdings. Costing systems which have not been reviewed in the last five years or so may well benefit from a constructive scrutiny. A one-day course under the title 'Tune up your costing' to be held in London on March 4th sets out the main features which require attention. Both these courses are to be repeated in Manchester on March 17th and 18th.

A third one-day course, 'Short-term accounting', to be held in London on March 5th will deal with the need for short-term reports of various types and, in particular, the preparation of short-term accounts on a monthly or periodic basis. Subjects will include 'Profit and loss accounts'; 'Balance sheets'; 'The accounting period' and 'Stock valuation'.

Further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

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## OFFICIAL RECEIVER APPOINTMENTS

The Board of Trade has announced the following Official Receiver appointments and revocations which took effect from February 3rd, 1964:

Mr Ernest Charles Sherwood's appointment as Official Receiver for the Bankruptcy District of the County Court of Slough has been revoked. Mr Rex George Goddard has been appointed Official Receiver for the Bankruptcy District of the County Court of Slough. The appointment of Mr Rex George Goddard as Official Receiver for the Bankruptcy District of the County Courts of Chelmsford, Hertford, St Albans and Southend has been revoked. Mr Frederick Leonard Sage has been appointed Official Receiver for the Bankruptcy District of the County Courts of Southend, Chelmsford, Hertford and St Albans. His appointment as Assistant Official Receiver for the Bankruptcy District of the County Courts of Cambridge and Peterborough, the Bankruptcy District of the County Courts of Northampton, Bedford and Luton, the Bankruptcy District of the County Courts of Ipswich, Bury St Edmunds and Colchester and the Bankruptcy District of the County Courts of Norwich, Great Yarmouth and King's Lynn has been revoked.

The appointments of Mr Walter Arthur Bishop and Mr Reginald Basil Wood as Assistant Official Receivers for the Bankruptcy District of the County Courts of Aylesbury, Banbury, Chelmsford, Hertford, Newbury, Oxford, Reading, St Albans, Slough and Southend have been revoked. The appointment of Mr Albert Rout as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Aylesbury, Banbury, Newbury, Oxford and Reading has been revoked. Mr Trevor John White has been appointed an Assistant Official Receiver for the Bankruptcy District of the County Courts of Reading, Aylesbury, Banbury, Newbury, Oxford and Slough. Mr Gwilym Thomas Evans's appointment as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Croydon, Guildford, Kingston upon Thames and Slough has been revoked. The appointment of Mr Stanley Pollard as an Assistant Official Receiver for the Bankruptcy District of the County Courts of Aylesbury, Banbury, Chelmsford, Hertford, Newbury, Oxford, Reading, St Albans and Southend has been revoked.

## ANNOTATED TAX CASES

Part 6 of Volume XLII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases; *General Accident, Fire & Life Assurance Corporation v. C.I.R. (C.A.)*; *Stewart v. Glentagart (C.S.)*; *C.I.R. v. Frere (Ch.D.)*; *C.I.R. v. Scott (Ch.D.)*; *Cyril Lord Ltd v. C.I.R. (Q.B.D. of N.I.)*; *British Broadcasting Corporation v. Johns (Ch.D.)*; *C.I.R. v. D. Devine & Sons Ltd (Q.B.D. of N.I.)*. The annual

## SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF FEBRUARY 23RD, 1889

CHARTERED ACCOUNTANTS AS  
PROFESSIONAL MEN

(To the Editor of *The Accountant*)

SIR, — I was recently subpoenaed by the Treasury to attend and give professional evidence on behalf of the prosecution, upon a charge of fraud preferred by the Public Prosecutor against a certain person.

After the conclusion of the trial I made application to the Treasury authorities for remuneration, but I found that Chartered Accountants are not recognised as professional men so as to entitle them to the higher rate in the present scale of allowances.

The Solicitor acting in the matter, after making various references and enquiries, regretted to inform me that he had no power to allow more than 3s. 6d. per day, which is the ordinary amount allowed to witnesses. Solicitors attending under the like circumstances are allowed one guinea per day.

Perhaps some steps might be taken by the Council of the Institute with a view to having the services of Chartered Accountants equally recognised.

Yours faithfully,

P. D. LEAKE.

16, Abchurch Lane, London, E.C.

19th February, 1889.

subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

## THE ACCOUNTANT'S DIARIES

Users of *The Accountant's Diaries* are asked to note that in the Foolsap Diary (page 36) and in the Pocket Diary (page 144) the following additions should be made to the table dealing with duty payable on the conveyance or transfer of property. After the fifth line insert:

Amount exceeds	Amount does not exceed	Duty
£	£	s d
10	15	3 0
15	20	4 0

In the second column of the table, line five, delete 20 and insert 10. In line six of the paragraph following the table — Pocket Diary only — the amount £3,500 has been misprinted. This should read £4,500.

Under Post-war Credits — page 49 Foolsap and page 156 Pocket — the age for which these are repayable should read 'to men over 60 and women over 55'.

MOTOR — FIRE — CONSEQUENTIAL LOSS

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## First Salvo on R.P.M.

THE Bill to terminate resale price maintenance puts to an end speculation regarding the Government's intentions on this matter. It still leaves in doubt the question whether Mr HEATH or his critics will gain the final victory. Its supporters will be gratified to learn that the Bill should become law within a few weeks; its critics, however, can derive hope from the provisions upon the interpretation of which the effectiveness of the legislation will depend.

As far as 'loss-leaders' are concerned the protection afforded by the Bill is more apparent than real. The danger to the small retailer is not so much loss-leading in the literal sense, but the substantial cutting of margins on highly profitable lines in popular demand. It is clause 5, however, which offers the critics the greatest hopes that the proposed legislation may be observed more in the letter of the law than in its spirit. This clause enables suppliers to obtain exemption from the prohibitions of the Bill, provided they can satisfy the Restrictive Practices Court that their inclusion within the Act will be detrimental to the public interest. The Bill construes the public interest in a number of ways. Thus, it will be deemed to suffer if the result of this Act is to reduce substantially the quality or varieties of a particular class of goods. Likewise, a reduction in the number of retail establishments selling such goods will be deemed detrimental to the public interest, as will the elimination or serious reduction in the provision of 'after-sales' service. In view of the threat already made to swamp the Restrictive Practices Court with appeals, its enlargement by four judges is a wise precaution.

Opponents of the Bill will be especially gratified by the provision whereby suppliers may within four months of the passage of the Bill appeal for exemption in respect of their goods. Until the Court has rejected the appeal the supplier will be entitled to continue his past practices in enforcing minimum or standard prices. Herein depends the effectiveness of the proposed legislation. On matters of industrial monopoly the Court has displayed a determination to meet modern needs and it will be interesting to see whether suppliers will prove any more successful on resale price maintenance appeals. In the meantime, however, it is to be expected that the affected interests will be rallying their Parliamentary supporters, although there can be no doubt as to the outcome of the debate in Parliament. Beyond that stage it would be unwise to make any prediction.

## Easing the Rates Burden

WITH the announcements of higher rate poundages by local authorities throughout the country to finance their 1964-65 expenditure programmes, speculation is growing as to whether the Government will announce, before the General Election, changes in the functions and finance of local government aimed at relieving the burden of the local rate on the domestic ratepayer.

Several possibilities have been mooted, among them that the Exchequer grants should be substantially increased, or the transfer of the cost of education in whole or in part, i.e. teachers' salaries, to the Exchequer. There are good reasons, however, for believing that objection to the local rate is based more upon its limitations as a tax than the hardship it may inflict upon a restricted section of the community.

These problems are hardly new; the local rate was no more popular at the end of the last century than it is today and, at that time, there was a strong body of opinion in favour of replacing it with site value rating (S.V.R.). Its sponsors were outvoted, as they were on the Simes Committee in 1952, but this year the Rating and Valuation Association has taken the issue out of the debating chamber and put it squarely into the field of practical politics. The background and case for S.V.R. are the subject of a contributed article elsewhere in this issue, but interest must surely centre on the findings of the Rating and Valuation Association's report concerning the extent to which S.V.R. could redistribute the burden of local taxation.

Whereas under the existing rating system houses account for 47.3 per cent of all rateable value in Whitstable, with S.V.R. the percentage drops to 28.2. Likewise, the relative share of bungalows in the tax base declines from 24.7 to 14.4 per cent, while the comparable shares of flats and maisonnettes under the two systems are 2.0 and 0.8 per cent. In short, if domestic property is taken in the aggregate, under S.V.R. it would provide 43.2 per cent of the tax base in Whitstable, compared with the 74 per cent of rateable value under the present system.

The brunt of a change to S.V.R. would fall, in the case of Whitstable, not on commercial

premises or such limited industry as the area possesses, but rather on land scheduled for development, on the golf course and other amenity land. Furthermore, land now exempt, e.g. agricultural land and vacant land, would pay appreciable sums. With the current dissatisfaction of domestic ratepayers with the existing system, it seems clear that the Rating and Valuation Association's report is likely to make a very real impact upon present thinking.

The alternative means of easing the burden on ratepayers is to relieve local authorities of certain expenditure, either by larger grants or, as was suggested last year by Mr A. R. ILERSIC in a Hobart Paper<sup>1</sup>, by charging the citizen for specific services including a fee for education. This proposal has been carried to its logical conclusion by two economists in a new Hobart Paper published this week – *Education for Democrats*<sup>2</sup>. Their basic thesis is that the growing dependence of the educational system, in particular higher education, on direct Exchequer subvention is undesirable. In its place they propose a fee-paying system whereby parents and students would have a real choice between institutions – a system which would also impel such institutions to exert themselves to best advantage. The Government would give parents a voucher entitling their school-age children to a basic minimal education either at private or State institutions. Parents would be free to spend over and above this amount, indeed the tax system could be so devised to offer incentives to do this. Similar vouchers would be provided for further education where the child's abilities justified such outlay.

Initially, it is suggested, a start should be made with students in higher educational institutions. Student bursaries would be given but these would not cover the entire cost of fees and living expenses. The student would be enabled to borrow annual loans which he would agree to repay once he was earning. This is the long-term proposal, but it might be introduced

<sup>1</sup> *Relief for Ratepayers*. (Hobart Paper No. 20) see *The Accountant*, March 30th, 1963, page 378.

<sup>2</sup> *Education for Democrats*, by Professors A. T. Peacock and J. Wiseman. (Hobart Paper No. 25) Institute of Economic Affairs, 66A Eaton Square, London SW1. Price 6s net.

with the right of cancellation of the loan on evidence of satisfactory work. In due course the same principle could be adopted for the entire range of educational provision.

It may be doubted whether the public, at least that part with children, is ready for such a scheme. It conflicts sharply with the trend towards

current universal flat-rate benefits to all students, deserving or otherwise. Nor does it appear consistent with the massive expansionist programme visualized in the Robbins and Newsom reports. The reasons underlying the proposals, however, merit serious study on both educational and financial grounds.

## Professional Advice on Building

**I**N January, the Ministry of Public Building and Works announced in a White Paper the creation of a National Building Agency. Last week the Agency's board of directors were announced. Rather surprisingly no accountant has been appointed and the omission is the more evident since the White Paper referred to the importance of accounting expertise being available along with first-rate experience in architecture, engineering and quantity surveying.

The board of directors is well equipped with representatives from the building and contracting industry, from among architects, consulting engineers and local authority officials, as indeed it should be. The omission of an accountant at the top may yet be more than a matter of formal regret.

It has been apparent for some time that the cost side of building, along with budgetary control and production control techniques, is of growing importance to the building industry. The new agency underlines this. The N.B.A. is to offer a consultancy service to local authorities, public bodies and private enterprise, particularly in that field where the creation of consortia for bulk purchase of materials and the use of industrialized building techniques is desirable but difficult to bring about. Consortia are now well established in school building and to a lesser extent in housing among large local authorities. But they are making very slow progress among smaller local authorities and, of course, most local authorities are small.

It has been estimated that about 20 per cent of the annual national building programme over the next few years will have to be carried out by industrialized techniques, usually called systems or method building. This still leaves 80 per cent of the programme for traditional techniques,

so there will be plenty of work for the small- and medium-sized builder.

But there must be faster building of houses to good modern standards despite the fact that skilled labour is scarce, building site supervision is fully stretched, and there are large programmes of other new building such as schools, colleges and hospitals all competing for available resources.

It is practically certain that all these programmes will fall down unless industrialized building systems are used by which, for example, houses and flats are built in the factory and erected on site with mechanical aids and a minimum of site labour. These techniques are known and used: they only have to be employed on a wider scale. This must mean greater emphasis on management techniques and cost controls, and the accountant must become increasingly involved.

It is at this point that the N.B.A. comes into the picture, for it is going to be largely concerned with advising building owners what systems are available, which ones are most suitable to use in given circumstances, and what other prospective building owners might be found to join in a systems programme. Its biggest task will, of course, be to persuade developers to use systems at all.

But this initial difficulty apart, there will clearly be a need for business and management acumen. Growing industrialization and the greater use of prefabrication methods in building houses, schools, hospitals and even factories and offices must mean the use of increasingly sophisticated cost controls. The creation of the N.B.A. provides an instrument for harnessing business acumen and professional expertise for what will have to be a crash programme. At the moment the influence of the accountant seems likely to be unwisely muted.

# Site Value Rating

## The Rating and Valuation Association's Test Valuation at Whitstable

### CONTRIBUTED

**S**ITE value rating (S.V.R.) is not new. The shortcomings of the present system of local taxation have seen to that.

Under the present system a rate is raised on the annual value of immovable property, no economic distinction being drawn between capital and land – the former being what may indisputably be called 'private' property in buildings and improvements, and the latter a monopoly interest in the primary natural resource of the community. Sites become valuable from the presence and activity of the community, the kind of Government, the extent and efficiency of public services, and the nature and density of surrounding development.

Under the present system a valuation is made of each unit of assessment – of site plus buildings and improvements – showing its annual value in its *existing* condition. Under S.V.R. a valuation is prepared of the *economic* site value, and a rate is levied upon this alone, leaving buildings and improvements free of any charge. Site owners (and beneficial occupiers) bear the tax.

### No Exemptions

No exemptions are granted, save to public property, since site value is a positive benefit accruing to the owner from others who are, by the law of trespass, themselves prevented from enjoying their self-created value. If it is desired to subsidize some particular interest this is done by a direct grant which is shown in published accounts and so subject to review.

Before the turn of the century the Royal Commission on Housing, the London County Council, the Glasgow Town Council, and in 1901 the Royal Commission on Local Taxation, had all recommended S.V.R. By 1906 it had gained the support of no fewer than 518 local authorities and some eight Bills were presented to Parliament. This culminated, after a constitutional crisis and a General Election on the issue, in Lloyd George's Finance Act of 1910, but was mutilated by political interests beyond all recognition.

Much political blood was spilt in the twenties

but action crystallized in the Finance Act, 1931, which provided for a valuation and a national land value tax thereon. The intention was also to make this valuation available for local taxation. However, political interests in the ensuing coalition Government ensured that this intention never materialized. To quote the excuse of the disappointed Prime Minister:

'It may be argued that the step which has been taken indicates the power of certain interests.'

The municipal front was then left to press for legislation, most notable of which was another attempt by the London County Council – again to be thwarted.

After the war a committee of inquiry was asked to consider the practicability and desirability of S.V.R. to meet local expenditure, having regard to the new provisions of the Town and Country Planning Act, 1947. This committee – the Simes Committee – reported in 1952 and was divided. The majority reported:

'We consider that the impact of the Town and Country Planning Act, 1947, has altered the position by enforcing the claims of the community to the fruits of development of land as far as they can be foreseen. We do not deny the possibility of the rating of site values, but we have been impressed with the administrative difficulties, the prospect of litigation which would inevitably arise, the undesirability of diverting much-needed manpower for the purpose, and the relatively small revenue likely to be obtained, and can find no significant advantages in its introduction.'

The minority report was diametrically opposed:

'The rating of site values is both practicable and desirable. The arguments in favour of it stand unimpaired.'

It should be noted that the principle of development charges under the Town and Country Planning Act was subsequently abandoned, thus dissolving the adverse qualification of the majority report. The Committee agreed that any assessment of S.V.R. could only be made in the light of a comprehensive test valuation. Though over ten years had to elapse before this was attempted, the Rating and Valuation Association is to be commended on its initiative in under-



taking such a project, the report of which was published last week.

The area chosen was Whitstable, Kent – a town of 20,000 population and of vigorous expansion. It consists of a variety of industrial, commercial and residential sectors and has something of the air of a seaside resort. It has good road and rail connections with London and serves its commuters.

### Test Valuation Procedure

A professional valuer was instructed to carry out the valuation under the terms of reference of the London County Council Bill, 1938–39, with the help of a body of volunteer workers and temporary office staff. The first stage in the valuation was the production of a detailed map of the whole area showing each parcel of land measured, wherever practicable, to a standard unit of one hundred square feet with a predetermined standard depth for each district, and notes of any unusual configurations, details of access and other factors affecting value. A unit value was then computed for each street from the evidence received of the capital values of residential and industrial properties – and Whitstable's share of vacant and under-developed sites.

The valuation of agricultural land was made by a specialist firm of valuers using as a standard unit the average size of farm found in the north-east Kent area. The valuers' judgement was then used to construct a value for each site, reflecting market conditions for plots deeper or shallower than the standard and assuming maximum potential use.

These economic site values were then converted to an annual value by taking a standard of 4 per cent. It is surprising that such a low figure should have been taken, for at present market rents it is expected to recoup full value in fifteen to twenty years, i.e. between 5 per cent and 7 per cent. It is remarkable, too, that no evidence of sale was available in the whole of the shopping area. Instead, a considerable body of rental evidence had to be collected and applied in a formula to arrive at site values and thence to annual value at 4 per cent.

The valuer encountered a number of problems and information was drawn from the long experience of S.V.R. in various parts of the world and in particular from consultation with experts in Denmark. The valuer concluded that the difficulties of a full-scale valuation were not likely to be more complex or intractable than those met and solved under the present system.

The report shows that the manpower needed and the administrative difficulties of the valuation

were less than is demanded by the present system. This, again, is quite remarkable since many difficulties must have been encountered with no previous valuation as a guide, and the added frustration of a continually changing body of volunteer field-workers.

No valuation was made 'on site', details alone being collected and the valuations later computed in the office. The valuer reports that the speed of this work was considerably greater than under the orthodox method, which must also be relatively less accurate with the added valuation of buildings and improvements – the main cause of appeal and litigation.

The foresight in the timing of this research project is to be commended, as it is possible accurately to compare its results with the official valuation lists before these become out of line with market conditions. These show Whitstable's total valuation at April 1st, 1963, as £725,000. The test valuation shows a total site value of £642,000 – or 89 per cent. The present poundage is 11s and would under S.V.R., exempting buildings and improvements and raising the same revenue, be 12s 5d. This is treating Whitstable in isolation. The figure in any part of the country could be higher or lower, for when rating the whole country under the S.V.R. principle other factors such as equalization grants, county precepts, etc., would have to be taken into consideration.

### Shift of Incidence

The report's real significance is to be seen in the shift of incidence of local taxation under S.V.R., the introduction of which would find out those who drain off the results of progress which are inevitably reflected in land values. Sites tend to a greater value towards the centre of activity of the community, and fall off towards the outskirts. Generally this will mean that a higher burden will be placed on the owners of central sites and a net advantage will accrue to those, mainly residential, on the outskirts; for the proportion of site value to total value in the centre is greater than on the outskirts.

Whilst generalizations for classes of property are true, individual comparisons may vary widely, dependent upon the ratio of site to present rateable value. If the ratio is less than 89 per cent – in the case of Whitstable – then there will be a net gain; if greater than 89 per cent – a net loss, as shown by the examples from the report on the following page.

Whilst to some extent the burden of the present rates falls upon the owners of land, it is clear that

	<i>Present list</i>	<i>Site Value list</i>
	£	£
The shopping street - The Duke of Cumberland to railway bridge .. ..	18,037	22,053
88 High Street .. ..	19	64
Messrs Courts, High Street ..	564	250
Plot occupied solely by kiosk, corner Terry's Lane and High Street .. ..	16	50
Area bounded by centre lines of Sea Street, Horsebridge, Sea Wall .. ..	1,135	1,734
Street aggregate, Manor Road, Tankerton from Queen's Road to Tankerton Road ..	3,252	1,156
Street aggregate, Grimshill Road .. ..	1,825	1,088

the major portion falls upon shopkeepers, industrialists and householders *as such*, and not as site *owners*. The present rates assessed on shopkeepers and industrialists are passed on to the consumer, and in the same way the landlord passes them on to his tenants, as all landlords are similarly assessed. It has been suggested that a site value rate could also be passed on. This affords little discussion, however, as almost all economists agree that as economic rent is a differential value and an advantage over competitors on the margin, a tax on this cannot be passed on.

### Effect on Land Utility and Prices

Present rates act as a fine; they discourage improvements; they are a tax on initiative. A rate on site values does not lessen the quantity of land; on the contrary, it would make more available by forcing idle land into use, and encourage the maximum potential development of each site since the rate would be assessed on that value. Since the holding of sites out of use causes an artificial scarcity and thus raises the marginal price, forcing more on to the market will tend to reduce prices.

It will readily be appreciated that S.V.R. could be used to combat land speculation. Site values will always be on the increase in a progressing economy, yet if a constant or higher rate is levied on site valuation lists, kept in line with current values by means of, say, a triennial revaluation, the increase in land values will always be channelled back to public revenue.

To the extent that a site value rate is imposed, land prices will fall. If a 100 per cent site value rate were collected, land prices would be reduced to a nominal amount. But this is not to say that the system involves trespass and confiscation, for although an owner-occupier's assets of landed property would be reduced in value he could buy a similar property at a similarly reduced price in any region levying the same site value rate. As land prices would be affected according to the rate levied, it would be desirable to have the same rate throughout the country in the interests of mobility.

As the ratio of land price to total price of houses has increased, an acute housing shortage has arisen. By reducing land prices, home-ownership would be facilitated and by lifting the penalty imposed on improvements, the standards of development would increase.

But the advantages would not stop with home-ownership; reduced land prices would give an impetus to the redevelopment of (and perhaps more intensely utilized) town centres. The frustration of town planners would be eased, for if any parcel of land was justly demanded, this would be reflected in the official site valuation relative to adjacent sites, and the accustomed disputes over compensation could no longer be sustained.

Although it is a well-accepted principle that local expenditure shall be under local control, the mounting cost of local government has caused discussion as to whether certain expenditures should be transferred to central control. To those who are loathe to lose local autonomy, S.V.R. provides the solution.

S.V.R. returns to the community what is a publicly-created value, including public expenditure itself. Social needs are urgent but must be paid for; in site values is a natural revenue. In the interests of justice we should see that this revenue is collected and used for the needs of the community and all impositions on progress and improvement removed.

The Rating and Valuation Association has laudably taken the initiative of a pilot valuation in an area which seems fully to represent the various phenomena of development. It has demonstrated that S.V.R. is practicable and its fiscal and economic advantages are overwhelming. The next step must be taken by the Government: a national valuation is called for and the results compared with the present valuation lists. It is to be hoped that political interests will not again mar the introduction of such a long overdue basic fiscal and social reform.

# Payment by Cheque

by W. H. D. WINDER, M.A., LL.M.

IT is an elementary proposition of commercial law that in the absence of some special circumstances indicating that the cheque is accepted in absolute satisfaction of the debt, a cheque is accepted as a conditional payment of the debt. This is always said to mean that there is payment conditional on the cheque not being dishonoured when presented for payment in the ordinary way. As with so many elementary legal propositions, the task of applying this one to special circumstances is not necessarily an elementary task, in the sense of a simple or easy task. Conditional payment is obviously something different from actual or real payment. In what exact sense, then, is it payment at all?

The question must be considered together with the supplementary rule that pending payment or dishonour of the cheque, the creditor's right of action is suspended. It has been said that not only his right of action but his remedies generally are suspended in this way. The precise legal effects of payment by cheque had to be considered by the Court of Appeal in an unusual context in the case of *Bolt & Nut Co (Tipton) Ltd v. Rowlands Nicholls & Co Ltd* ([1964] 2 W.L.R. 98).

## Conditional Payment Admitted

The Court restated the general legal principles in the usual way. It is interesting to find Lord Justice Danckwerts expressly saying that acceptance of a cheque in absolute satisfaction of the debt would, he imagined, be unusual. The textbooks continue to say, generation after generation, that a cheque may be an absolute discharge of a debt but how often, if ever, is it so in practice? In the case before the Court of Appeal the acceptance of a cheque was, as usual, a conditional payment only, as was admitted by all parties. The Court quoted with approval the following general statement from *Halsbury's Laws of England* (third edition, vol. 8, page 212):

'In the absence of special agreement, a creditor is not bound to accept payment of a debt otherwise than in current coin, or in notes of the Bank of England; and if he takes a bill, note, or cheque in

payment, he may either accept it in absolute satisfaction of the debt, in which case he takes the risk of its being dishonoured and can sue only on it, or may accept it as a conditional payment only, the effect of which is to suspend his remedies during the currency of the instrument. The instrument in such a case affords a good defence to an action before it matures.'

## Suspension of Remedies by Acceptance

Certain remedies are not suspended by acceptance of a cheque as conditional payment, although the remedy of beginning an action for the recovery of the debt is always suspended pending the clearance or dishonour of the cheque. In the recent case the creditor unsuccessfully sought to rely on a particular remedy in this interim stage in the following circumstances.

The plaintiffs had issued a writ for some £4,000 for the price of goods supplied. This sum was reduced after the issue of the writ by the payment of a sum by the defendants. It was reduced by the payment of some £1,700. After this payment a meeting took place on September 11th, between representatives of the plaintiffs and the defendants; the plaintiffs' representative accepted a cheque for a further sum of £1,179 19s 11d. On September 13th, two days later, judgment was signed by the plaintiffs for a sum which gave credit for the amount previously paid, but which gave no credit for the amount of the latter cheque. The cheque had not at that time been cleared. It was not in fact dishonoured, being paid when presented and cleared in the usual way on September 18th.

## Protest by Defendants

The sheriff, on instructions, attended on a writ of *fiery facias* on the defendants' premises on September 15th, and they then protested that they had made a payment which made the amount quite wrong, and also alleged that they did not know anything about the proceedings whatever. The defendants telephoned the plaintiffs' secretary who explained that the sheriff

had been sent by error, expressed regret for what had occurred, and instructed the sheriff to withdraw.

The defendants later applied to set aside the judgment as being irregular on the ground that it was entered for an amount in excess of that which was due when it was signed. Their application was successful, it being held that the plaintiffs could not ignore the cheque accepted by them two days before signing judgment and that accordingly the judgment was irregular. The defendants were entitled as a matter of right to have the judgment set aside. The Court stated that the ordinary rule that acceptance of a cheque was a conditional payment of a debt and that it operated to suspend a creditor's remedies in respect of the debt until it was met or dishonoured, applied to the present case.

### When Better Remedies Exist

The Court at the same time recognized that there was judicial authority for saying that acceptance of a cheque does not operate even as conditional payment when, if it did, the creditor would be deprived of a better remedy than an action on the cheque. Counsel for the creditor argued, on the strength of such authority, that if before the issue of the writ there had been a cheque accepted and not cashed that would have suspended the creditor's remedies until the cashing of the cheque and that, therefore, in such a case it would have been wrong to issue a writ for the whole amount. But, he went on to say, this rule did not apply if the payment on account, or the conditional satisfaction on account, did not come until after the writ is issued; then they were entitled to sign judgment as this was a better remedy than suing on the cheque. He relied on the reasoning of Lord Justice Farwell in the case of *Henderson v. Arthur* ([1907] 1 K.B. 10).

This was a case in which the debt due was on account of rent payable under a lease under seal. The defendant, on being sued for the rent, sought to set up as a bar an oral agreement, as he said, that was made before the making of the lease, whereby a bill of three months should be accepted by the plaintiff in lieu of the rent quarter by quarter. Farwell, L.J.'s, reason for giving judgment for the plaintiff was this. Referring to the decision in *Davis v. Gyde* ((1835) 2 A. & E. 623), as explained by Maule, J., in *Belshaw v. Bush* ((1851) 11 C.B. 191), he said that the latter judge had explained that the cases in which a bill given on account of a simple contract debt had

been held to operate as a conditional payment and suspend the remedy rested on an agreement implied in law from giving and receiving such a security, but had made this qualification:

'The cases in which the giving of the bill has been held not to suspend the remedy on a demand by specialty, or for rent, may be accounted for on the ground that the legal implication of an assent that the bill shall operate as a conditional payment does not arise when, if it did, the plaintiff would be deprived of a better remedy than an action on a bill, as in *Davis v. Gyde*, in which, the debt being for rent, the plaintiff would part with a remedy by distress, and as in *Worthington v. Wigley* ((1837) 3 Bing. N.C. 454) where, the demand being on a bond, the plaintiff might, in certain events, have recourse to other funds than he could in an action on a simple contract.'

Thus, concluded Farwell, L.J., in *Henderson v. Arthur*, even if a lessor has received a bill on account of rent it would not operate until met even as conditional payment of the rent.

### Right to Sign Judgment

So counsel for the creditor in *Bolt & Nut Co (Tipton) Ltd v. Rowlands Nicholls & Co Ltd* was able to say:

'Here was a man who was in a position to sign judgment against his debtor, and the fact that he accepts a cheque from him does not suspend his remedy as it would if he had not been in that position, because that would mean his giving up a better remedy.'

'Well, that is a very technical doctrine', remarked Lord Justice Harman when he rejected its application to the facts of this case and held that judgment had been entered for too large a sum when credit had not been given for the amount of the cheque.

He agreed that the doctrine seemed to apply to cases where a landlord had a right of distress and also to a case where a creditor by specialty had a right on a bond to other security, and that therefore those are held to be better remedies than mere contract. But he held that it was not the law that a man who had a right to sign judgment had a better remedy, and that one must not suppose him to give it up. He might be in a position to sign judgment, but he had not done so at the time of taking the cheque.

'That is the remedy which he would have if he did not accept a cheque in conditional payment.

But, in my judgment', continued Harman, L.J., 'it is only common sense that a man who takes a cheque one day must not sign judgment for the same sum the next day without seeing whether the cheque is going to fructify or not. It is an attempt to get paid twice over, and I am of the opinion, notwithstanding the great authority of Farwell, L.J. – whom I do not, of course, dream of saying was wrong in the special cases he mentioned – that it should not extend to this case, which is neither a debt by specialty nor a debt supported by right of distress.'

### General Rule Applied

The other member of the Court of Appeal, Danckwerts, L.J., agreed that the general rule clearly applied, and that the remedy by action was suspended for the time being to the extent of the amount of the cheque. The plaintiff had no right until it was seen whether the cheque was dishonoured or not, and no right unless it was dishonoured, to sign judgment in default. Therefore the judgment which they obtained was bad and irregular and the defendants were entitled to have it set aside.

The taking of a cheque as conditional payment does not destroy any security for the debt which the creditor may hold. In a bankruptcy or liquidation he might have the status of a secured creditor and this status will continue during the stage of conditional payment by cheque. A case concerning debentures illustrates the position – the case of *In re J. Defries & Sons Ltd, Eichholz v. J. Defries & Sons Ltd* ([1909] 2 Ch. 423).

Trustees were the registered holders of debentures in a company, holding on trust for D. for life and after her death for her children. Cheques for the debenture interest were drawn by the company sometimes in favour of S., a former trustee of the settlement, and sometimes in favour of D. D.'s son was managing director of the company and at his request D. had abstained from presenting the cheques for payment; the interest on the debentures had not in fact been paid. The cheques in favour of S. had been endorsed by him to D. and also not in fact presented for payment by D. The company went into liquidation, there being a debenture-holders' action and the usual order for accounts. On taking the accounts, the trustees of the settlement claimed to rank by virtue of their debentures for the aggregate amount of the interest represented by the unpaid cheques and they claimed to rank as secured creditors. This claim was upheld.

They were held to be secured creditors even in respect of S.'s cheques which he had endorsed to D.

This also was a case in which it was argued, on the strength of *Henderson v. Arthur*, that the superior remedy of a secured creditor had not been abandoned by the taking of a cheque in conditional payment. The judge asked: 'How can the taking of a cheque drawn by the company amount in law to an agreement to give up a better remedy under the security?', that is, the security of the debenture. He found that there were no circumstances to justify him in inferring that Mrs D., by accepting the cheques for interest, meant to give up her security whether they were paid or not.

It had been suggested that Mrs D., at the request of the managing director of the company, agreed to abstain from presenting the cheques and that that amounted to an agreement by her to give up her security and to re-lend the money represented by them to the company. Warrington, J., held that there was 'no evidence to support that suggestion'.

### Cheque after Signing Judgment

The mere proposition that payment by cheque constitutes conditional, not normally absolute, payment does not solve all legal problems as the case of *Bolt & Nut (Tipton) Ltd v. Rowlands Nicholls & Co Ltd* demonstrates. There is the question of other remedies to be considered. One of the questions left open by the judgments of the Court of Appeal was the fate of other remedies than suing on the cheque or for the debt if the cheque had been accepted after signing judgment. It was, in fact, accepted before judgment was signed but if it had been accepted after, would the creditor have been debarred from levying execution until the cheque was met or dishonoured?

This question was expressly raised by Danckwerts, L.J., in connection with the exception of better remedies from the operation of the general rule. He said that if the creditors had 'already obtained judgment at the date when they accepted the cheque in fact, then some argument might be made for the view that the exception applies because the right to levy execution on the judgment already obtained previously would be another and possibly better remedy than an action upon the cheque. But in this case they had not obtained judgment at the date when the cheque was accepted, and they had merely an inchoate right to claim judgment if they could'.

# The Accounting World

## CANADA

### Canadian Institute's Memorandum to the Royal Commission on Taxation

THE Canadian Institute's memorandum to the Royal Commission on Taxation probably involved more man hours of work than any other single project yet undertaken by the Institute, observed *The Canadian Chartered Accountant* for January. While proposing some major revisions in rates and structure, the committee concludes that the basic system in Canada is reasonably good. It does not propose new forms of tax nor does it recommend elimination of any of the present forms. It considers well-founded the popular criticism that the emphasis is too much on taxes on income and that the rates are too high.

The memorandum argues that the top rates of personal and corporate income tax seriously affect the capacity to save and reinvest, induce carelessness as to expenditures and reduce initiative to work and produce. If further revenues have to be raised it should be by increasing taxes on consumption.

### Ontario Consultation Service for C.A.s

THE Institute of Chartered Accountants of Ontario has inaugurated a service to provide practitioners with assistance in dealing with accounting and auditing problems. A letter giving details has been sent to all its members. The Council has selected a number of consultants for their knowledge and reputation in the field of accounting theory and auditing practice, whose names will not be made public.

However, the Institute cautions that the practitioner should not present a problem to a consultant until he has explored all avenues of approach to a solution and either needs confirmation of his findings or additional help.

## UNITED STATES

### Better Accounting Principles

THE main interest of society today, writes Mr Robert E. Witschey, C.P.A., immediate Past-President of the American Institute of Certified Public Accountants, and chairman of the Accounting Principles Board, in the *Journal of Accountancy* (New York) for January, is the creation of wealth rather than its conservation. Hence he thinks it a matter of great urgency that industry, the financial community and the accounting profession should co-operate to remove barriers to comparability of financial standards. Comparability will certainly be achieved, if not in this way, then by means disastrous to management's freedom in financial reporting.

Mr Witschey suggests that it would be a great step forward if all companies in an industry would agree to adopt, within reasonable bounds, the same basic principles. This would not mean treating every type of transaction in the same way, but developing criteria for treatment in particular circumstances.

Will the balance sheet in its present form continue to serve a useful purpose? Is an entirely new arrangement of data needed? Will the present type of income statement (or profit and loss account) become obsolete in favour of new types of earnings indicators, each for a specific group? Mr Witschey suggests that new accounting tools may be required and that it is not too early to seek their invention.

### Is the C.P.A. a Specialist?

MR ELMO ROPER, senior partner of a well-known firm of marketing and public opinion analysts, in a report on a survey of the public image of C.P.A.s, also writing in the January *Journal of Accountancy*, says that the average American business man sees the C.P.A. as a specialist, very good at doing a limited number of things. He does not, however, regard him as someone to turn to for advice on general business problems. Many business men wish that the profession would take more financial responsibility than at present. Mr Roper suggests that the accountant's springboard for the future should be the adoption of an active role as adviser on general business problems.

### The Kaiser Steel Long-range Sharing Plan

THIS first negotiated union contract to provide for direct distribution of production cost savings to employees is described by Professor R. Gene Brown, C.P.A., PH.D., of Stanford University, in the *Journal of Accountancy* for January. It provides for payment to employees of certain percentages of manufacturing cost savings through 'labour performance, material and supply usage, yield improvement and . . . technological changes'. A job security provision pays an employee displaced through automation a 'displacement differential', for a maximum of one year. Employees receive about 32.5 per cent of savings in production costs compared with 1961 as base.

The standards for material and supply costs are increased or decreased by the percentage change in the wholesale price index for the appropriate products from 1961, while for labour costs the standard is the national consumer price index.

In the first five months of the plan, almost \$2 million was distributed to employees—an average increase in monthly pay of about \$75 for 5,000 employees. All parties are surprised at the high payments made. Supplies are used more efficiently,

coffee and lunch breaks are shorter, sick leave and absenteeism are down. Executives of other steel companies are appalled at the cost, but a successful start seems to have been made.

Accounting problems are great, particularly in the use of price level indices. If savings were distributed due to a seasonal fluctuation, and unfavourable costs followed through another seasonal or cyclical change, Dr Brown comments that the company might find it had paid out an unjustified savings dividend which would not be recoverable. The accounting data are to be subject to annual verification by 'designated union representatives' – presumably a firm of C.P.A.s. The possibility of management and labour representatives at opposite sides of the table, armed with different 'true' cost figures, is not too difficult to imagine.

The plan provides for reduction of gains by amortization of capital expenditures made to reduce costs, but only if incurred on existing facilities. Dr Brown points out that this introduces an automatic bias in favour of jacking up old facilities. Here is a danger that the plan might exert an improper influence on decision-making. The implications for accountants are that they are going to be deeply involved in the collective bargaining process and labour-management relations.

### Management Science and Accounting

THE cost methods and concepts which today are second nature to the accountant may well be made obsolete by the resources of statistical science – probability sampling, mathematical programming, operations research, decision theory and the theory of games, writes Professor J. A. Mauriello, of New York University, in the *N.A.A. Bulletin* (New York) for January.

The accountant, he says, is being asked to view business problems more broadly, and schools of business are making a determined effort to avoid fragmentation of subject-matter. First the accountant must become a generalist and then a specialist. He must be able to analyse a problem, impute weights to the factors present and call in the computer specialist, the statistician or mathematician to aid in the solution, but he must first be familiar with the statistical and mathematical methods available for the solution.

### Pensions for the Professions

THE Self-Employed Individuals Tax Retirement Act of 1962 is now under review through the action of its sponsors to obtain the removal of two restrictions: (1) the limitation of tax deductions to 50 per cent of total contributions, and (2) the maxima of \$2,500 or 10 per cent of the total contribution, whichever is lower. It is proposed that these limitations should be retained for plans that have no employees other than the self-employed.

It is reported that the American Institute of Certified Public Accountants has already put into

operation a plan for its members. It plans to make a membership-wide offering of its programme in the spring of 1964. The American Bar Association and the American Medical Association are said to have filed with the Securities and Exchange Commission registration statements for such nation-wide plans. They both seek authority to invite contributions for a total fund of \$25 million. The Bar Association would invest its receipts in an equity fund, a fixed-income fund and deferred annuities. The Medical Association would require the employer to cover himself and all full-time employees with three or more years' service, but an election might be made to cover other employees.

### SOUTH AFRICA

#### Proposed New Coinage

WHEN the currency in South Africa was decimalized in 1961, no fundamental changes were made in the coinage then used. The crown (5s) became a 50-cent piece, the florin became a 20-cent piece and so on down the range of silver coins to the 'nimble ticky' (3d) which became a 2½-cent piece. New bronze coins of a different colour but the same size and weight as the old penny and halfpenny were introduced as 1-cent and ½-cent pieces, respectively. Coins equivalent to the half-crown (2s 6d) and the farthing were not minted.

At the time of converting to a decimalized currency, many people felt that the opportunity should have been seized of introducing a new coinage made up of tokens of more convenient size and weight. The general consensus of opinion, however, was that the difficulties of converting the thinking of the populace to the new currency would be sufficiently heavy, without being complicated by the simultaneous introduction of completely different coins.

Decimalization of the currency has been carried through with extreme smoothness, so much so that it has recently been announced that the work of the Decimalization Board has come to an end and that it is to be disbanded. Meantime, the advocates of a new, lighter and more manageable coinage continued to press their views and it was promised during the 1963 session of Parliament that a fact-finding committee would be appointed to investigate certain practical aspects of the proposed change in the coinage. The committee's report was recently submitted to the Minister of Finance and a résumé of it has been gazetted.

The proposals envisage a new series of coins consisting of seven denominations, of which four would be nickel and three bronze. The four nickel coins would be for 50c, 20c, 10c and 5c, respectively, with smooth edges; the 50-cent piece (now equal to a crown in all dimensions) will be reduced to a size equivalent to the present 20-cent piece (florin) and so on down the scale to the 5-cent (sixpence), which will be almost the same size as the present 2½-cent piece



(the tickey or threepenny bit), which latter coin will be dropped from the coinage. In bronze, there will be a new coin for 2 cents, in size roughly equal to that of the present 5-certs (sixpence); the 1-cent coin will be reduced in size to about that of the present tickey; while the present  $\frac{1}{2}$ -cent coin will continue to circulate. The 2c and 1c bronze coins will have milled edges.

It is suggested that the change-over should take place gradually over a period and per denomination. As a first step, the surplus 2s 6d, 5s and 50-cent coins should be withdrawn as soon as possible. Next, the new 5-cent coins should be issued and the existing 5c and 6d coins withdrawn (there is still a considerable number of silver coins of the old denominations in circulation in the country). Thereafter, the existing 10-cent (1s), 20-cent (2s), 50-cent (5s),  $2\frac{1}{2}$ -cent (3d) and finally the 1-cent coins should be withdrawn in that order, being replaced by the new 10c, 20c, 50c, 2c and 1c coins respectively at each step.

### Change-over Problems

IT is expected that the preparatory period for the introduction of the new coinage will be nine to twelve months; during this time a campaign will have to be conducted to ensure that everyone is well aware, in advance, of what is going to happen. The actual process of changing over is estimated to require a further twelve to eighteen months. During this latter period the old and the new series of coins will be in simultaneous circulation.

It is probable that one of the main problems confronting the committee was the future of the 'tickey' or threepenny bit. The equivalent value of this coin in the new currency is  $2\frac{1}{2}$  cents. When decimalization was introduced, wherever possible the content or packing of threepenny lines was adjusted to give equivalent value for three cents, so as to avoid having to record numbers of transactions in half cents. This was done because it was realized that, just as the half-penny was never popular with either shopkeepers or book-keepers, so would the  $\frac{1}{2}$ -cent be regarded with much the same mean look. This was all very fine so far as the records were concerned but it did mean that the average shopper had always to be armed with a supply of  $\frac{1}{2}$ -cents as well as his beloved 'tickeys'; as a consequence, the tickey has entered into a decline, in spite of the average South African's preference for it instead of three heavy bronze coins. On the other hand, public telephone call boxes, parking meters and similar coin-operated devices are invariably fitted to accept only a 'tickey.' In its report, the committee state that in its opinion the use of disc counters as a substitute for the 'tickey' was impracticable under local conditions and the conversion of coin-operated machines to operate with the new series of coins would, with minor insignificant exceptions, not present any insuperable technical problems.

It is the intention now to refer the committee's proposals to a Select Committee of Parliament for further investigation and recommendations.

In the meantime, the Minister has again warned all interested parties of the need to exercise caution in the purchase, importation or manufacture of machines and appliances that cannot be readily adapted to the contemplated new coins.

## NIGERIA

### Railway Corporation's E.D.P. System

THE Nigerian Railway Corporation, which was the first organization to introduce punched-card machines in Nigeria (prior to the Second World War), is now operating Nigeria's first commercial computer installation.

The Railway Corporation decided only last June to replace its existing punched-card accounting and statistical machines with an I.B.M. 1401 computer system and the necessary equipment arrived in October. We now learn from the chief accountant, Mr F. E. Chapman, A.C.A., that all existing applications (including statistics, financial statements, main stores, workshops payroll and costing) have been taken over and Nigerian staff have been trained in the operation of the computer and to write programs.

The next areas planned to be covered by the computer are: district stores; all payrolls (about twenty-seven thousand staff), and revenue accounting and billing. In addition, during the next twelve months, two I.B.M. 1311 disc storage drives are to be installed to make use of disc packs as high-speed random access storage.

The Corporation is surely to be complimented on the speed with which the whole operation has been carried through.

## ISRAEL

### Association of Certified Public Accountants in Israel

AT the recent annual general meeting of the Association of Certified Public Accountants in Israel, Mr F. S. Somekh, F.A.C.C.A., F.C.W.A., was re-elected President for the ensuing year and the following were elected to the Council: Messrs B. Braude, B.COM., F.C.A., E. Livay, F.A.C.C.A., F.C.I.S., Dr F. S. Kost, F.A.C.C.A., and Mr H. L. Cohen, F.A.C.C.A.

## FINLAND

### New Officers of Finnish Institute

THE following officers of the Finnish Institute of Accountants, K.H.T.-Yhdistys - Föreningen C.G.R., have been elected for the year 1964:

*President:* Mr Svante Kihlman;

*Vice-President:* Mr Veli Colérus;

*Members of Council:* Messrs Veikko E. Hakala, J. V. Heikkonen, Otto Sivonen, Antti Helenius, Marcus W. Pacius.

Mr Eric Haglund has been appointed Secretary of the Institute from January 1st, 1964.



## COUNCILS IN SESSION — VIII



The Executive Committee of the American Institute of Certified Public Accountants. *Left to right:* Messrs William H. Holm (*Vice-President*); J. T. Koelling (*Vice-President*); Roger Wellington (*Treasurer*); Robert E. Witschey; Herman W. Bevis; William J. von Minden (*Vice-President*); Clifford V. Heimbucher (*President*), chairman; E. Palmer Tang; Rudolph Bauhof; Curtis H. Cadenhead; J. Earl Pedelahore (*Vice-President*); James VanderLaan; Edward J. Buehler. Mr John L. Carey (*Executive Director*), was absent owing to illness.

As the Council of the American Institute at present comprises 207 members, it is not possible to include in our series a picture of the whole Council. The Council meets twice a year — a four-day meeting in the spring, and a one-day meeting in the autumn — and since a group of this size, meeting so infrequently, cannot operate effectively on the wide range of policy and management decisions which arise, most of its authority is delegated to the Executive Committee (the Council retaining a power of veto). The present membership of the full Council is composed of six officers of the Institute, twenty-two former Presidents, nine members elected at large, 117 members elected from the States on the basis of the number of Institute members in the States, and the fifty-three Presidents or Presidents-elect of the State societies by virtue of their office. The elected members ordinarily serve for three-year terms.

# Weekly Notes

## COST ACCOUNTANTS' EXAMINATIONS

IN the December 1963 examinations of The Institute of Cost and Works Accountants, a total of 2,574 candidates sat for the whole or part of the Final examination. Of these, 521 successfully completed the examination; 104 passed Part A only, and 364 passed Part B only.

Mr P. R. Moss, of Hounslow, gained First Place and the S. Laurence Gill Prize. The Leverhulme Prize for Advanced Cost Accountancy was won by Mr J. M. Frenz, of Monkseaton, and the Donald L. Moran Prize for Management - Factory and Distribution was won by Mr J. M. McGill, of Bishop Auckland.

In the Intermediate examination there were 3,462 candidates, of whom seventy-seven passed Parts I and II; 584 completed their Intermediate by passing Part II, and 599 passed Part I only.

The names of the successful candidates who completed the Final examination, together with a full summary of results, appear elsewhere in this issue.

## A CASE FOR EARLY ACTION

THE avoidance of 'stop-go' policies does not mean that the Government must abandon entirely the short-term regulation of the economy, 'but rather that it should intervene in good time so that drastic action, leading to long periods of stagnation, is not needed'. Thus comments the National Institute of Economic and Social Research in its latest survey, in the February *Economic Review*, and it is a clear hint to Mr Maudling that his Budget should exert some restraint on the current pace of expansion within the economy.

That the economy is now in a phase of sustained and vigorous growth is confirmed by the National Institute. The same is true of the European Economic Community and of the United States. The rise in industrial output will mean a higher demand for commodities and raw materials, with consequent higher incomes for the primary producing countries. In the absence of Government intervention, total demand in the United Kingdom may rise some 5 to 6 per cent up to mid-1965. The current year should witness an increase in exports, but if there is abnormal stockbuilding by manufacturers and others, then the balance of payments may deteriorate with the increase in imports. The National Institute estimates that there may well be a deficit of perhaps £350-£400 million over the eighteen months to mid-1965.

The real problem confronting Mr Maudling is the fact that unemployment is now down to minimal levels, although there is still plant capacity available to meet the prospective growth of demand in the

economy. Nevertheless, the Institute believes that at long last investment in manufacturing industry is on the turn, although the rise may well be more moderate than it was in 1960 because this time capital expenditure in the motor and steel industries is falling. In the opinion of the National Institute the present growth rate of about 5½ per cent 'is not a rate which the British economy is likely to be able to sustain in present conditions'. But, by acting now, 'a relatively small intervention could operate gently over the next eighteen months'. Any later adjustment, it is asserted, would need to be much sharper.

An early adjustment should, in the opinion of the National Institute, take the form of a 1 per cent cut in the present rate of growth - to be achieved by increasing personal taxation by about £200 million. The Institute may be right, but last year Mr Maudling clearly rejected its advice to inject £400 million into the flagging economy. Will he do the same this year?

## F.B.I. BUDGET ADVICE

THE Federation of British Industries has issued a booklet containing its representations to the Chancellor of the Exchequer in relation to the forthcoming Budget and Finance Bill.

To avoid overloading the economy the Federation recommends restraint in Government expenditure while allowing scope for private expansion, with particular emphasis on keeping down industrial costs by removing taxes which inflate them, such as the light and heavy oil duties. Earnings should be encouraged by a shift to indirect taxes from direct taxes, says the Federation, to be achieved by a significant reduction of profits tax in conjunction with a modest reduction of income tax.

The Budget should also enlarge the scope of relief for depreciation of buildings, redundancy payments and contributions to education. The F.B.I. repeats its earlier plea for simplification of tax laws. This, says the Federation, can largely be achieved by a new measure of consolidation, accompanied by the implementation of previous recommendations for modification of estate duty.

The Federation draws attention to the limitation of relief for offices added to industrial buildings both by reference to historical cost of the original building and insistence on the physical identity of the additions with the main structure. Other difficulties which call for amendment of the law arise in relation to partial 'hiving off' operations not covered by section 17 of the Finance Act, 1954, and the double taxation relief restrictions in connection with 'pioneer industries' under the 1961 Finance Act, and 'local limitation' under the 1962 Act. The Overseas Trading Corporation concept should be broadened to permit income from overseas subsidiaries to be remitted to United Kingdom parent companies as exempt trading income.

Finally, attention is drawn to the numerous

anomalies in the application of the 'benefit' rules relating to directors and employees spotlighted by recently reported cases.

### RECEIPT STAMP DUTY

THE Institute of Municipal Treasurers and Accountants has made representations to the Chancellor of the Exchequer for the abolition of receipt stamp duty, basing its recommendation on the following grounds.

First, the cost and inconvenience involved in stamping receipts is very high in relation to the yield; 120 transactions are needed to raise £1 of revenue.

Secondly, there is evidence of general misunderstanding as to the liability for duty of various types of documents normally employed in business routines and this misunderstanding has increased since the Cheques Act, 1957, came into operation.

Finally, it is the Council's view that the stamp duty on receipts is increasingly regarded as an outmoded and tiresome formality, which is out of keeping with the need to simplify administrative procedure.

### R.P.M. AND THE SMALL BUSINESS

WITH the abolition of resale price maintenance now only a matter of time, there is inevitably speculation as to the probable consequences which will follow. In contrast to the dire forebodings of some sections of the Press for the future of the small trader, a report published last week<sup>1</sup> paints a much more reassuring picture.

Despite the breakdown of resale price maintenance in the grocery trades, states the report, the independents' share of trade fell by only 2½ per cent between 1957 and 1961. Bankruptcies among grocers, however, doubled between 1957 and 1962, but they still only totalled 221 in the last year. The report explains these developments by the fact that the fiercest competition in the grocery trade has been concentrated in the High Street and, since most independent grocers are outside the main shopping centres of large towns, their convenience to customers often outweighs the attractions of price reductions. Experience in Canada and Sweden after the abolition of resale price maintenance lends support to these reassurances for the small trader. In both countries small retailers have tended to follow the 'recommended' price of the manufacturers. Nor need the manufacturer fear that price competition among retailers will lead to any deterioration of their products or a lowering of quality standards. There is no evidence of such a development in either Sweden or Canada, nor does logic suggest that it is likely in Britain.

The report argues that when resale price maintenance is abolished there will be an outburst of

intensive price-cutting, particularly in hardware goods, electrical appliances, toiletries and spirits, confectionery and gramophone records. But 'after two or three months things will settle down' as consumers learn to discriminate between shops which give service and those which do not, but offer a lower price.

Obviously, the abolition of resale price maintenance will not leave the retail trade unscathed. For all the cheering conclusions of this report, it concedes that both the small- and medium-sized retailers will have to become more cost-conscious. More attention will need to be given to the layout of shops, to the possibility of giving the customer a chance for some self-service, while the range of goods carried should be more regularly reviewed than is often the case in order to eliminate those which can only be turned over very slowly. In this matter of management there is no question but that the retailer has everything to gain from close co-operation with his accountant. There is here an obvious opportunity for individual members of the profession to demonstrate the positive services they can give to assist management, instead of being regarded simply as intermediaries between the retailer and his tax inspector.

### NEW £10 NOTES

NEW £10 notes were issued on Friday of last week and are the first to appear since the old white £10 notes ceased to be legal tender on May 1st, 1945. Some 38,000 of the old notes are still outstanding and continue to be payable at the head office of the Bank of England.

The new notes have their principal detail in dark brown and are the same length as the £1 note but some ⅞ inch wider. They were designed by Mr Reynolds Stone, the designer of the current £5 note.

### ONE HUNDRED YEARS OF TAXATION

A SPECIAL illustrated feature in the February issue of *Barclay's Bank Review* brings out some interesting changes in taxation in the last one hundred years. Since the days of Gladstone there have been as big changes in the philosophy on taxation and the theory of the role that the Government should play in the economy as there have been actual changes in the burden of taxation.

The article shows that although the national income (so far as it can be compared over one hundred years) has increased by about 300 per cent, taxation has increased one hundredfold. Today the overall burden of taxation in Britain (including local taxation) is not very different from most industrialized countries.

Over the one hundred years 1862-63 to 1962-63, there has been a notable switch in the burden of taxation from indirect to direct. The article goes on to say that people are more conscious of direct taxation on income and capital than they are on

<sup>1</sup> *The Small Business and the Abolition of Resale Price Maintenance*. Management Information Ltd, 14 Dover Street, London W1. Price 3s 6d (6d extra by post).

indirect taxation on consumption. If a higher proportion of revenue is collected directly, people may feel heavily taxed even if the total burden is low. Direct taxes are, incidentally, more easily evaded than indirect ones. Both the total burden on taxation and its burden as between direct and indirect taxation and the point at which direct taxes are levelled (for

example on household incomes rather than on companies) are very similar in Britain to the European average. Over the one hundred years the expenditure of Government revenue has altered significantly. A hundred years ago three-eighths of total revenue was spent on interest on the national debt; now it is less than one-eighth.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 213

ALL the senior men were asked to write job specifications for their particular positions in our company hierarchy. It proved to be quite a useful and instructive exercise, somewhat to our surprise. Some rather suspected at first that it was the thin end of some nefarious manoeuvre on the part of the managing director, designed to facilitate prompt replacement of sundry weaker vessels, and some little muttering ensued. However, it was just a routine exercise in personnel policy maintenance. Besides oiling the wheels should emergency replacement become necessary, it provided an extra pay-off – it induced a spot of well-merited soul-searching on the part of some of our somewhat smug and self-satisfied executives.

Actually, this type of introspective self-examination is quite good for an accountant. Certainly it deflated my ego with salutary effect. I always liked the medieval practice of mailed barons retiring temporarily to some hermit's woodland cell to assess their worth in life, and writing the specification had a vaguely analogous effect. After all, just consider the main headings.

(a) *Recommended age limits:* The number of years is less important, of course, than the degree of mental maturity, or the developing instinct of the leader to accept responsibility and take the difficult decision. Still, one can hardly write bluntly: 'Old enough to have some sense'. 'How young is a good executive? is like the old question, How long is a piece of string? How old is a man who has ceased to strive for betterment? Perhaps a somewhat non-committal 'Preferably in the 32-55 years age bracket' would not raise the blood pressure of our 57-year-old M.D. too much!

(b) *Examinations or degrees:* This was rather a tricky question, not so much to me personally as to our directors. So far as I'm concerned, in this day and age, the potential chief accountant must have a recognized professional qualification. It gives, on the theoretical level, an assurance of a minimum standard of professional skill and expertise; while on the personal or character side it is witness to even more. To pass a modern Final examination is not easy; not only is a certain level of intelligence re-

quired; an ability to analyse and interpret legalistic-commercial problems; a fluency in expressing complex industrial situations on paper; a facility in understanding mathematical formulas or figures ranked in technical accountancy jargon; all this there is – and much besides.

The youngster who has passed his exams proves his will-power in sticking to his studying through months and years, and his shrewd judgement in selecting a means of self-improvement. For many are the alternative attractions for the boy leaving school, for the teenager earning good money, for the man in his twenties savouring the sweet smell of success. It's not just the time-worn temptation of wine, women and song. There are innocent and healthy distractions in sports and cards (I can't possibly blame a fellow bridge-player), the telly and the twist and a hundred-and-one hobbies. There's the stern struggle of the young married men to carry all their burdens; to say nothing of problems of illhealth, of travelling, and of family ties. And of, course, there's the discipline of professional affiliations.

As my directors are fond of commenting, there are numerous unqualified men in industry of talent, ability, brilliance; it's the man – not the exam. – that counts, they say. Though I can appreciate their reasoning, I give them sharp answers and sometimes tempers are frayed if the topic is developed.

In the cold shadow of the anchorite's cell, examinations may seem trivial but efficiency must be maintained. Bearing in mind the new joint diploma I wrote firmly: 'Qualification essential; additional degree desirable'.

(c) *Personal characteristics:* Well, this one looked easy enough to complete. There are obvious traits like initiative, industry, energy, drive, perspicacity, loyalty, sense of justice, tact, honesty, sobriety, reliability . . . the list of virtues could stretch to the crack of doom (memo – How many have I got? Any at all?) It's not quite so easy to explain the necessity of maintaining good relationships with colleagues without relaxing standards. So often it's easier to acquiesce and to conform to majority opinions at the cost of a minute sacrifice of principle. So often one may compromise one's integrity in a clash of personalities when expediency looks attractive. Better to underline the essential phrase: a constant urge to improve.

Perhaps I took the whole thing too seriously and the usual trite answers would have been adequate. Perhaps not. I like to aim high.

# Finance and Commerce

## Water Company Accounts

THE accounts of the Mid-Sussex Water Company for the year to September 29th, 1963, are the subject of this week's reprint. As water companies' accounts are specialized, the opportunity is taken to reproduce the accounts in full.

For reasons of space, however, it has not been possible to reproduce in full the statement by the chairman, Mr J. M. Whittington, which accompanies these accounts. This is a pity, for in two quarto pages of print he manages to convey a striking impression of the work and worry that is part of the cost of a safe water supply.

Dealing with the accounts, Mr Whittington sees the possibility that the form may be unfamiliar to those not acquainted with statutory companies. The capital account, he explains, represents capital moneys expended and receipts from capital raised.

Sales of assets such as land are simply credited against expenditure as is the cost of any asset scrapped. The figures, he emphasizes, do not purport to represent the present value of the assets; certainly their replacement would cost much more.

## Clearer

Mr Whittington explains that the board has no power to provide general depreciation as such but only to maintain assets out of revenue. On the other hand, the company is allowed a contingency and renewal fund to which may be placed in any one year not more than  $1\frac{1}{2}$  per cent on the total capital expenditure. The fund is limited to 15 per cent of that sum. 'You will see', he says, 'that we managed to come near the maximum allocation this year but we have a

EXPENDITURE		CAPITAL ACCOUNT		RECEIPTS	
1962	1963	1962	1963	1962	1963
£	£	£	£	£	£
1,938,296	2,105,031	594,843	594,843	Ordinary Capital Issued (less Discount £11,973)	594,843
10,869	2,276	892,325	892,325	Preference Capital Issued .. .. .	892,325
1,927,427	2,102,755	1,487,168	1,487,168	Loan Capital Issued .. .. .	1,487,168
86,409	57,018	258,599	258,599	Less Discounts in Excess of Premiums .. ..	258,599
86,409	57,018	9,264	9,264		5,264
25,473	27,819	249,335	249,335		253,335
8,921	7,205	1,736,503	1,736,503	Total Issued Capital	1,740,503
29,331	37,748	19,838	19,838	General Depreciation written off prior to 1938	19,838
18,413	6,813	348,690	348,690	Excess Expenditure over Receipts .. .. .	482,931
6,604	3,078				
7,164	5				
177,544	140,517				
£2,105,031	£2,243,272				£2,243,272

NOTE: Replacements of Fixed Assets are charged as they occur, direct to Revenue or to Contingency and Renewal Fund.

EXPENDITURE		CAPITAL ACCOUNT		RECEIPTS	
1962	1963	1962	1963	1962	1963
£	£	£	£	£	£
1,932	1,292	18,000	18,000	Balance from Last Account	86,670
958	1,329	2,930	2,930	Add General Renewals .. .. .	24,000
842	—	1,000	1,000	Depreciation Motor Vehicles .. .. .	3,418
1,332	—	3,414	3,414	Depreciation Office Machinery .. .. .	1,864
5,064	2,621	25,344	25,344	Adjustment in respect of existing vehicles	—
86,670	113,331				29,282
£91,734	£115,952				£115,952

Balance in hand to be carried forward

*Established 1881—Incorporated under the Mid-Sussex Water Acts and Orders 1881 to 1962*

£	1962		THE GROSS INCOME FROM:—		£	£	£
	227,167		Domestic Water Rates .. .. .	..	..	260,190	
	126,895		Metered Water (including Meter Rents) .. .. .	..	..	130,458	
	11,038		Other Water Charges .. .. .	..	..	10,884	
	<u>365,100</u>						401,532
	3,869		Property Rents Receivable .. .. .	..	..	4,542	
	15,067		Rechargeable Work (less Direct Cost) .. .. .	..	..	11,539	
	<u>18,936</u>						16,081
	384,036						417,613
			OUT OF WHICH HAS BEEN MET THE COSTS OF:		TOTAL INCOME WAS		
80,996			Supply .. .. .	..	..	82,344	
52,800			Bulk Purchase of Water .. .. .	..	..	47,272	
63,654	197,450		Distribution .. .. .	..	..	76,824	206,440
54,613			General and Management Expenses .. .. .	..	..	56,686	
34,158			Rates .. .. .	..	..	32,761	
5,656			Superannuation, Pension Fund Contributions and Pensions .. .. .	..	..	9,331	
840			Audit Fee .. .. .	..	..	840	
2,749			Directors' Remuneration .. .. .	..	..	3,279	
	98,016						102,897
12,607			Debt interest (Gross) .. .. .	..	..	12,607	
18,094			Interest Paid less Received (Gross) .. .. .	..	..	12,094	
	30,701						24,701
	326,167						334,038
	57,869		THE BALANCE IS THE PROFIT FOR THE YEAR				83,575
			Due to taxation allowances on capital expenditure it is considered that no further provision for taxation is necessary.				
	18,672		To which has to be added the unappropriated profit Brought Forward from the last account .. .. .	..	..		13,859
	76,541						97,434
18,000			THIS HAS BEEN APPLIED TO:				
—			Increasing the Contingency and Renewal Fund .. .. .	..	..	24,000	
28,418			Amount written off Discounts on Debenture Stocks .. .. .	..	..	4,000	
15,806			Preference Dividends (less Tax) .. .. .	..	..	28,418	
458			Ordinary Dividends on capital as increased (less Tax) .. .. .	..	..	26,569	
	44,682		Arrears of Ordinary Dividend (less Tax) .. .. .	..	..	458	
	62,682						55,445
	£13,859						83,445
			BALANCE FORWARD TO THE NEXT ACCOUNT .. .. .	..	..		£13,989

[illegible]

## CITY NOTES

THE new account on the London Stock Exchange has made a mixed showing and it is clear that markets are coming more and more under the shadow of the Budget, and behind that, the Election.

With uncertainty increasing it seems that the City would welcome early action. As these notes are being written the talk is of a further rise in Bank rate but while that might well be called for on the present weakness of the £ and the dullness of gilt-edged stocks, it may not prove politically expedient if it has to forestall the Budget.

It could be that the banks will be asked to provide special deposits once again but these can only be provided from the sale of stocks – mostly British Funds – so that any improvement in gilt-edged would be heavily discounted.

Under such conditions investors may be forgiven for operating on a rather hand-to-mouth basis. Short rallies occur and here and there good company news has quite an effect on share prices, but such movements must be short lived in the face of the political factor.

## RATES AND PRICES

Closing prices, Wednesday, February 26th, 1964

Tax Reserve Certificates: interest rate 19.1.63  $2\frac{1}{2}\%$

Bank Rate			
Dec. 8, 1960	5%	Mar. 8, 1962	$5\frac{1}{2}\%$
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	$6\frac{1}{2}\%$	April 26, 1962	$4\frac{1}{2}\%$
Nov. 2, 1961	5%	Jan. 3, 1963	4%

Treasury Bills					
Dec. 20	£3 14s	4.45d%	Jan. 24	£3 14s	3.81d%
Dec. 27	£3 14s	5.08d%	Jan. 31	£3 15s	2.01d%
Jan. 3	£3 14s	4.19d%	Feb. 7	£3 15s	5.97d%
Jan. 10	£3 14s	3.33d%	Feb. 14	£3 15s	6.84d%
Jan. 17	£3 14s	3.63d%	Feb. 21	£3 15s	8.80d%

Money Rates			
Day to day	$2\frac{3}{4}-3\frac{1}{4}\%$	Bank Bills	
7 days	$2\frac{1}{2}-3\frac{1}{2}\%$	2 months	$3\frac{1}{8}-4\%$
Fine Trade Bills		3 months	$3\frac{1}{8}-4\%$
3 months	$5-5\frac{1}{2}\%$	4 months	$3\frac{1}{8}-4\%$
4 months	$5-5\frac{1}{2}\%$	6 months	$4-4\frac{1}{2}\%$
6 months	$5\frac{1}{4}-6\%$		

Foreign Exchanges			
New York	2.79 $\frac{1}{8}$	Frankfurt	11.10 $\frac{1}{8}$
Montreal	3.02 $\frac{1}{8}$	Milan	1740 $\frac{1}{8}$
Amsterdam	10.08 $\frac{1}{8}$	Oslo	20.02 $\frac{1}{8}$
Brussels	139.30	Paris	13.70 $\frac{1}{8}$
Copenhagen	19.33 $\frac{1}{8}$	Zürich	12.10 $\frac{1}{8}$

Gilt-edged			
Consols 4%	$64\frac{1}{8}$	Funding 3% 59-69	90 $\frac{7}{8}$
Consols $2\frac{1}{2}\%$	$4-\frac{1}{8}$	Savings 3% 60-70	86 $\frac{1}{8}$
Conversion 6% 1972	104 $\frac{1}{8}$	Savings 3% 65-75	79 $\frac{1}{8}$
Conversion $5\frac{1}{2}\%$ 1974	99 $\frac{1}{8}$	Savings $2\frac{1}{2}\%$ 64-67	92 $\frac{1}{8}$
Conversion 5% 1971	98 $\frac{1}{8}$	Treas'y $5\frac{1}{2}\%$ 2008-12	90 $\frac{1}{8}$
Conversion $3\frac{1}{2}\%$ 1969	92 $\frac{1}{8}$	Treasury 5% 86-89	89 $\frac{1}{8}$
Conversion $3\frac{1}{2}\%$	56 $\frac{1}{8}$	Treasury $3\frac{1}{2}\%$ 77-80	77 $\frac{1}{8}$
Funding $5\frac{1}{2}\%$ 82-84	96 $\frac{1}{8}$	Treasury $3\frac{1}{2}\%$ 79-81	76 $\frac{1}{8}$
Funding 4% 60-90	94 $\frac{1}{8}$	Treasury $2\frac{1}{2}\%$	40 $\frac{1}{8}$
Funding $3\frac{1}{2}\%$ 99-04	64 $\frac{1}{8}$	Victory 4%	95 $\frac{1}{8}$
Funding 3% 66-68	90 $\frac{7}{8}$	War Loan $3\frac{1}{2}\%$	57 $\frac{1}{8}$

## Taxation Case

A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.

## Taylor-Gooby v. Harrods (Buenos Aires) Ltd

In the Court of Appeal – February 3rd, 1964  
(Before Lord Justice WILLMER, Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

*Income tax – Business in Argentine – Payment of Argentine substitute tax – Whether deductible in computing profits – Income Tax Act, 1952, section 137 (a).*

The respondent company carried on the business of a general store in Buenos Aires and it owned the feehold of its premises. It was liable to pay, and did pay, the Argentine substitute tax, which was calculated at a percentage of the capital of the company. In relation to companies incorporated outside the Argentine the substitute tax was payable if the company had in the Argentine a commercial establishment organized as an *empresa estable* and the appellant company's business was such an establishment. Failure to pay the tax would cause one of two possible embargoes to be placed on the company's assets. One embargo would be placed on the company's bank account in the Argentine, among other assets, and that would seriously damage the company's goodwill in the Argentine. The other embargo would produce similar results, and would also enable the registration of the company in the Argentine to be cancelled, and then the company would not be able to carry on business there at all. The substitute tax was payable whether or not the company made a profit for the year in respect of which the tax was paid.

An assessment under Case I of Schedule D for 1959-60 was made on the company in the sum of £103,306 on the footing that the substitute tax was non-deductible. It was contended on behalf of the company that payment of the substitute tax was a pre-condition of the company's being able to earn profits in the Argentine, that the payment of the tax was essential to preserve the company's business there, and that the sum so paid was deductible in computing the company's profits for the purposes of United Kingdom income tax. It was contended for the Inspector of Taxes that the substitute tax was payable by the taxpayer as a personal liability, and not as a taxpayer. The Special Commissioners decided in favour of the Inspector.

*Held:* (affirming the judgment of Mr Justice Buckley): the sum paid by the company in substitute tax was a payment wholly and exclusively for the purposes of the company's trade, and was therefore deductible pursuant to section 137 (a) of the Income Tax Act, 1952.



# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Diploma in Management Accounting

SIR, — I would go a long way in support of Mr Beard's views in your February 15th issue. Surely, however, the new diploma recognizes some acceptance of the positive contribution possible from accountants of the Chartered and Certified bodies as well as the recognition by them of the necessity of practical experience and of costing knowledge.

Management accounting is not just an extension of cost accounting but owes its usefulness to a fusion of the knowledge and experience of all forms of accounting. No practising accountant worth his salt can in these enlightened days afford to neglect this branch of work, nor can he be as good an auditor as he should be if he does not make it his business to understand the lessons of management accounting.

One can surely hope that now that a common approach has at last been adopted by the various bodies, we shall all stop claiming that our own particular body can claim an exclusive knowledge. There is, however, no doubt that the Institute of Cost and Works Accountants deserves all honour for initiating its own fellowship examination first.

Some might have wished that fellowship could have been reserved in all the bodies for specialist work both in this and other fields (e.g. taxation and investigation work) rather than that a new qualification should be added to the ranks! Nevertheless, many will rejoice that something so constructive is taking place. Another method could have been a Ph.D. award, but presumably to bring in the universities would involve (as in the U.S.A.) the passing of all accountancy training to the colleges.

Yours faithfully,

London EC2.

R. S. WALDRON, F.C.A.

SIR, — I have read Mr Redman's letter in your issue of February 22nd with an exact mixture of understanding and loyalty to my father's point of view expressed in the issue of February 8th.

I am a chartered accountant engaged in super-market management and probably representative of

the breed to whom the new diploma is intended principally to apply.

I feel I ought to try to advance that part of my father's views which I consider valid. Let me first deal with the question of image (things aren't what they are, they're what they seem to be!) A chartered accountant today fulfils two equally important but very different roles. Firstly, he presents himself as a specialist-trained management accountant and generally in this capacity he is not employed in the profession. Secondly, in his traditional role as professional accountant, auditor and income tax consultant, he is largely employed within the profession.

My father now agrees that he was wrong to suggest in his letter that the management diploma should have been put aside until *his* problems, i.e. those of the 'small practitioner', had been solved. However, my platform of reasoning is this: in so far as the Institute in its wisdom chose to consider the small practitioner first, then is it not reasonable that they should finish their report and publish it before going on to consider new and *equally* important aspects of our profession? In so far as the past is a guide to the future, Mr Redman can hardly hope to receive any speedier or more effective action on his diploma than the small practitioner has received with his problems.

So you see, my father doesn't ask for priority or preference on his 'say so', he asks for first things first, not of his choosing but the Institute's.

Yours faithfully,

WILLIAM BARTFIELD,

Leeds 17.

A.C.A., M.INST. M.S.M.

## Marginal Costing

SIR, — I found Mr P. L. Griffiths's letter in your February 22nd issue most interesting. I feel doubtful, however, whether he and I are really speaking the same language. He needs to look to his definitions — such, for instance, as *marginal cost*, *unit fixed costs*, *total fixed cost curve*, *marginal variable cost curve*, *unit variable cost curve*, *total variable cost curve*, *over-utilized fixed costs*, *under-utilized fixed costs*.

However, I would like to comment on some of the mistakes I am alleged to have made in Part I of my article (February 15th issue).

First, I cannot agree that a declining marginal cost means a declining total cost as the rate of output increases. Fig. 2 in my article demonstrates a declining marginal cost with a rising total cost as the rate of output increases.

Secondly, I have never in any of my written work suggested a U-shaped cost curve of any kind. Economists, I believe, sometimes demonstrate a U-shaped unit cost curve, but it is pure theory. I would not say it is impossible, but in practice it must be rare indeed. Partly for this reason, I must take exception to Mr Griffiths's implication in his last paragraph that I have taken my ideas from A. C.

Pigou's *Economics of Welfare*. I admit, not without shame, that I have never read this well-known work. My ideas on marginal costing are drawn entirely from practical experience, though I confess that the germ of the concept of marginal cost may have come from the academic world, but that was many years ago.

Thirdly, I agree that my total cost curves demonstrated in Figs 1, 2 and 3 are static. If capacity is increased, fixed or time costs rise, so that the curves rise bodily to a new position, starting on the y axis at, say,  $b_2$  instead of  $b$ , where  $b_2$  is the new increased total fixed cost. I dealt with the 'over-utilization' of capacity in Fig. 4 of my article. I cannot agree that the 'total fixed cost curve', as I understand it, could ever pass through the origin, except in a very narrow, very long-run sense.

Finally, I reaffirm, in spite of what Mr Griffiths says, that the marginal cost is mathematically the derivative or differential coefficient of total cost with respect to quantity, that is,

$$\frac{dT}{dq}$$

where  $T$  is the total cost and  $q$  is the quantity produced in unit time. This conforms to the definition of marginal cost generally accepted by cost accountants and economists. Mr Griffiths is, of course, entitled to invent his own definition; but he is not entitled to criticize others for not adopting it. I agree that the total cost and the unit cost are equal when output is one unit. But I cannot agree that the marginal cost is similarly equal. If there are any fixed or time costs, as there must be, the marginal cost of producing one unit in unit time is necessarily smaller than the total cost or unit cost. I do not follow Mr Griffiths's mathematics. As I see it, using my notation, we have the following:

$$\begin{aligned}\text{Total cost: } T &= aq + b \\ \therefore \text{Unit cost: } T/q &= a + b/q\end{aligned}$$

If we omit the time cost,  $b$ , then we have the total variable cost,  $U$ , that is,

$$\begin{aligned}\text{Total variable cost: } U &= aq \\ \therefore \text{Unit variable cost: } U/q &= a\end{aligned}$$

so that, since  $a$  is by definition the marginal cost, then the unit variable cost is the same as the marginal cost, which I made clear in my article.

To return to Mr Griffiths's mathematics, I cannot for the life of me see how  $y=x^2$  follows from  $y=x$ , unless  $x=1$ . If  $x$  can be any number then we could have  $yx=x^2$  or  $y^2=x^2$  following from  $y=x$ . I am left wondering whether Mr Griffiths has used that 'certain degree of mathematical skill' which he implies I have failed to use.

May I conclude by saying that for my part I never venture into print on any subject without first steeping my mind thoroughly in that subject and related matters.

Yours faithfully,  
Bushey Heath, Herts. E. J. BROSTER.

### Current Accounts

SIR, - I think your correspondent, Mr M. H. B. Abd El-Motaal, in his letter published in your issue of February 15th, has missed one of the main points in my article of February 1st. The depreciation and shareholders' equity tables he cites in his example are quite correct, and it is true that in the circumstances he envisages, the cumulative depreciation provided out of profits will be £72 less than the replacement cost at the end of year ten. The £72, however, is the sum of the depreciation deficiency adjustments and in the complete absence of profits over the period from which this might be financed there has, in fact, been a loss of real capital to this extent and this can only come from the shareholders' equity. Instead of deducting the deficiency adjustment from capital reserve arising on revaluation, an alternative would be to debit profit and loss account, but in the absence of profits this would produce a 'loss' or debit balance and the end result would be the same - replacement would have to be financed partially with new capital.

If I may be permitted to add to my recent article in emphasis of the importance of the subject of replacement cost accounting, I commend to readers the published accounts of the Port of London Authority for the year ended March 31st, 1963. [See 'Finance and Commerce', September 14th, 1963, issue. - Ed.] Although it has not complied with the recommendations of the *Report of the Committee of Inquiry into the Major Ports of Great Britain* - the Rochdale Committee (Cmnd 1824) - that ports should prepare their accounts on a replacement cost depreciation basis, the Authority has appended to its accounts a supplementary statement which clearly sets out the position had the recommendation been adopted. This shows that on a replacement cost basis, net assets at £70 million are understated by £125 million and profits for the year, before interest on capital stock, taxation and stock redemption reported at £3,120,000 would have been £2½ million lower. With differences of this magnitude, had it not been for the supplementary statement, the accounts hardly show a true and fair view of the state of affairs and of the profits of the year.

Yours faithfully,  
Highnam, Gloucester. J. C. BRACHER, F.C.A.

### Loose Wording

SIR, - A leaflet issued by the London Stock Exchange - *The Stock Exchange and You* - says:

'A new company which needs money to get started (e.g. to build a factory) offers shares for sale to the public; so does an existing company which needs more capital to extend its business'.

Company law and practice has changed since I first swotted it, but has it changed to the extent that a company can offer its shares for sale? It doesn't sound right to me.

Yours faithfully,  
Hornchurch, Essex. W. GOOLD.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## MEETINGS OF THE COUNCIL

Special and ordinary meetings of the Council of The Institute of Chartered Accountants in Ireland were held in Belfast on Thursday, February 13th, 1964.

### Attendance

The Vice-President, Mr John Love, was in the chair, and there were also present Messrs John Bacon, A. S. Boyd, G. A. P. Byran, A. E. Dawson, James Graham, N. V. Hogan, T. D. Lorimer, R. E. McClure, R. J. Neely, W. H. O'Donnell, D. H. Templeton and D. McC. Watson with the Secretary.

Apologies for absence were submitted from the President, Mr R. P. F. Olden, and Messrs Frank Cleland, M. M. Connor, J. F. Dempsey and H. W. Robinson.

### Council Membership

The Vice-President welcomed Mr Darwin H. Templeton, F.C.A., partner in the firm of Ashworth, Rowan & Co, Chartered Accountants, Belfast, to his first meeting since his co-option to membership of the Council to fill the vacancy created by the resignation of Mr James Walker, C.B.E., F.C.A.

### Deaths

The deaths of the following members were reported and noted with regret:

Bailey, George Herbert, F.C.A. (retired) (Glamorgan)  
McAdam, Alexander, A.C.A. (Belfast).

### Fellowship

The following Associates were elected to Institute Fellowship:

Adams, Charles Henry (Belfast)  
Deevy, John Kevin (Waterford)  
Foley, William Patrick (Kilkenny)  
Horscroft, William Terence (Southall, Middlesex)  
Hutchinson, Richard Alexander (Belfast)  
Kelly, Anthony Francis (Waterford).

### Practice

The following members were admitted to practice:

Balmer, Walton Campbell (Belfast)  
Barrett, Joseph Patrick (Cork)  
Foley, William Aquinas (Cork)  
Martin, Patrick Ormond (Cork)  
Northridge, William Cecil (Cork)  
O'Donnell, Bryan (Thurles, Co. Tipperary).

### Membership

The following candidates who were successful at the winter session of the Institute examination were admitted to membership as Associates not in Practice:

Artt, Peter (Comber, Co. Down)  
Browne, William G. (Dublin)  
Coppel, Laurence A. (Belfast)

Diffin, Eric (Armagh)  
Dowling, Naomhan (Dublin)  
Driver, Thomas O. (Blackrock, Co. Dublin)  
Ellis, Ronald N. (Dublin)  
Fleetwood, David A. A. (Dublin)  
Geraghty, Aidan P. (Shankill, Co. Dublin)  
Grimes, Gerard (Skerries, Co. Dublin)  
Groeger, Richard A. (Cork)  
Hall, David T. (Portadown, Co. Armagh)  
Hession, Charles E. (Dublin)  
Hogan, John F. (Dublin)  
Howlett, Brian G. (Dublin)  
Jackson, Robert L. (Belfast)  
Loneragan, Colm (Carrickmacross, Co. Monaghan)  
Lyster, William B. (Dublin)  
McCloskey, John (Dublin)  
McCowen, Michael P. (Laois)  
Morkan, Thomas F. (Dublin)  
Nealon, Patrick (Nenagh, Co. Tipperary)  
O'Broin, Kieran (Dublin)  
O'Connor, Laurence G. (Sutton, Co. Dublin)  
Patterson, Thomas A. W. (Newtownabbey, Co. Antrim)  
Smyth, Philip A. (Dublin).

### Articles of Clerkship

Approval was given to one application for exemption from the Preliminary examination and for reduction in the term of service under articles under the provisions of bye-law 96 and bye-law 80.

### Committees

Reports were received from the following standing committees:

Education and Training; Examination; Finance and General Purposes; Investigation; Parliamentary and Law; Premises; Taxation.

### U.E.C.

A report was submitted on a meeting of the Assemblée des Délégués held in Munich on February 1st at which the Institute had been represented by the President, with the Secretary.

### German Institute Conference

A report was received on the attendance, as delegates of the Institute, of the President and the Secretary at the Fachtagung of the Institut der Wirtschaftsprüfer in Deutschland e.V., which took place in Munich on January 30th and 31st. Representatives of twenty accountancy organizations from thirteen European countries were present at this conference.

### Institute Dinner

It was decided to hold an Institute Dinner in Belfast on Thursday, October 1st, 1964, on the eve of the Institute's residential conference which will take place at Newcastle, Co. Down.

# Education for the Profession

## President's Comments at Portsmouth Dinner

The need for organizing some form of oral tuition for articled clerks to supplement the present correspondence courses was one of the points stressed by the President of The Institute of Chartered Accountants in England and Wales, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., at a dinner of the South-Eastern Society of Chartered Accountants held in Portsmouth Guildhall on February 21st.

Mr Winter recalled that it was nearly fifty years ago, as a young soldier starting his military training, that he first visited Portsmouth, and he was pleased to note the progress that had been made in the city since then. The accountancy profession had also changed in that time, he said, for in 1915 there were only 5,000 members in the Institute, and one could fairly say that then the Council was mainly an examining and disciplinary body living in a remote atmosphere.

Now there were over thirty-eight thousand members and the Institute had invested trust funds of some £2 million, including benevolent and staff funds.

### Increasing Demands on the Profession

The changing circumstances of industry and commerce were making increasing demands on members of the profession, he declared, and one of the ways they had looked ahead in preparing to meet such changing times had been the formation just after the war of the Taxation and Research Committee, which had enabled the issue of technical statements.

Another feature of modern conditions was the increasing use of electronic computers, and the Institute was running a course on this subject in May at Brighton.

'One thing that we must bear in mind', Mr Winter went on, 'is the education of the coming generation, such as our articled clerks, for this is becoming a matter of major importance for our profession'.

'The publication of the Robbins Report is an indication of the importance that the Government places on this subject.

'In the past we have not interfered with the methods of training, but we feel that the time is coming for district societies to try to organize some form of oral tuition to supplement the postal tuition.

'We recognize that many students fail to make the best use of their first years in an office, for many of them have not learned how to teach themselves.

'If we can run introductory courses with oral tuition, it will make a tremendous difference.

'Certain firms that have had the advantage through numbers of running their own courses have found that their clerks are six months ahead of those clerks who have not had this advantage.'

The President said he would like district societies where possible to get in touch with colleges of

further education to obtain help in running some of these courses. Ultimately, this would encourage principals of firms to release their clerks to attend these courses, which would help improve the educational system. But the Council did not want to make it compulsory until they could see the scheme was working satisfactorily throughout the country.

Mr Winter said he wanted to dispel the idea that they were against the idea of the work being done in the technical colleges, for when approached these colleges were only too glad to co-operate.

### Better Support for District Societies

The President said that on January 1st, the district societies acquired a new look with the single subscription, and many members who had not previously joined district societies were now taking a more active interest in their work.

Over seven thousand had come in who had not previously been members of district societies, and the South-Eastern Society alone had had quite a big increase.

With the increasing size of the Institute and the variety of its work, said Mr Winter, it was necessary to decentralize down to district societies. Many men in the district societies had done sterling work and many would be co-opted on to Institute committees. This would enable them to keep in touch with members and to pass on information regarding the rapidly changing developments in industry today.

The President was responding to the toast of 'The Institute and the South-Eastern District Society', proposed by Mr Norman Skelhorn, Q.C., Recorder of Portsmouth. Mr Skelhorn paid tribute to the Institute for instigating over the years high standards of efficiency and integrity which had resulted in members of the profession being universally trusted and respected. The local Society had similar high standards, and he thought that Portsmouth was proud in having a Portsmouth President this year for the South-Eastern Society.

### Battle Scars

Continuing, Mr Skelhorn amusingly remarked that it was a tribute to the stout tussles and battles put up by members of the profession on behalf of their clients over tax matters that tax inspectors were now asking to be insured against personal injuries!

'One of the difficulties of tax matters is that one finds that death and taxation are the only certainties of life, but unhappily they did not occur in that order', he quipped, adding: 'It is as well for you that they do not, otherwise you would be out of a job'.

Mr R. D. Pearce, F.C.A., President of the South-Eastern Society, proposed the toast of 'Our Guests', and the Lord Mayor of Portsmouth responded.

# Electronics in the Office

the Post Office before January 24th, the mailing date.

Counting both Preference and Ordinary stock there are now well over half a million I.C.I. stockholders and the use of the computer to issue stock to such a large number has brought many incidental benefits, including a considerable saving in the cost of the operation and a simplification in the maintenance of records. Under the new system the entire I.C.I. stock and share register occupies a few feet of space on one shelf instead of taking up forty-five fireproof safes, as in the past.

## Scrip Issue by Computer

THE largest share issue ever recently completed by I.C.I. Ltd. Approximately 1,000,000 shares were sent to holders of

## Compact Computer

THE 'Compact' computer is the description given by De La Rue Bull to their latest computer, the was recently demonstrated at the London. The machine itself requires a small office. No air conditioning

be fitted, so that the forms can, if required, move separately. The paper is easily positioned.

The GAMMA 10 has an order code of sixty-four instructions, which cover input, output, arithmetical operation and six logical and jump instructions. Each program's instruction occupies three characters and is of the form 'Function, first operand, second operand'. Programs are written in segments, each segment having up to sixty-four instructions.

The speed of the central processor and the available machine instructions allow the computer to perform considerable calculation between card cycles and still maintain a speed of 300 cards a minute. The calculation time is sufficient to allow 900 additions or thirty-five multiplications between card cycles. At the demonstration the machine was preparing delivery notes and simultaneous invoice records. A speed of twenty invoices possible, each invoice averaging

Kingdom for use by banking, insurance, retail trading and shipping organizations. Delivery at present is eighteen months.

#### Inventory Control by Computer

**A**N NCR 315 computer installed at S. C. Johnson & Son Ltd, of Frimley Green, Surrey, in September last year, is now processing data on sales of Johnson's Wax products in five European countries. The resulting analyses and reports enable control to be maintained over stocks of raw materials and finished goods to ensure that the right quantities are available in the right place and at the right time.

Data processed by the computer is first of paper tape. This is automatically a by-product of invoicing and sales documentation, using

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THE  
ACCOUNTANT

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British European Airways Corporation, has been appointed a director of B.E.A. Helicopters Ltd.

Mr D. J. Stubb, A.C.A., has been appointed secretary of Bellows Valvair Ltd.

Mr M. A. Usick, A.C.A., has been appointed an associate director of J. & F. Stone Lighting & Radio Ltd.

Mr Francis T. Wayne, M.A., F.C.A., has been appointed to the board of Alvis Ltd.

Commander James White, V.R.D., A.A.C.C.A., has been appointed secretary of The Westwood Educational Trust Ltd, and clerk to the Governors, Cobham Hall School.

**Bankruptcies and Liquidations**

Mr A. LEWIS asked the Secretary of State for Industry, Trade and Regional Development, taking the calendar year 1951 as being equal to 100 per cent, what has been the annual percentage rise or fall in bankruptcies and liquidation of businesses to date.

Mr HEATH: The numbers and the percentages (to the nearest unit) taking 1951 as 100 per cent, are as follows:

Year	Bankruptcies		Liquidations Voluntary and Compulsory	
	Numbers	Percent- ages	Numbers	Percent- ages
		100	2,755	100
		113	3,105	113
		122	3,213	117

IN PARLIA

**LONDON AND DISTRICT SOCIETY OF  
CERTIFIED ACCOUNTANTS****Annual Dinner and Dance**

The annual dinner and dance of the London and District Society of Certified Accountants is to be held at the Piccadilly Hotel, Piccadilly, London W1, on Monday, April 6th, at 6.30 for 7 p.m. After the dinner, at which there will be no speeches, dancing will continue until midnight.

Members are advised to make early application for tickets, price 35s each, to the Secretary, Mr E. T. Westmacott, F.A.C.C.A., F.C.I.S., 3 Copthall Buildings, Copthall Avenue, London EC2.

the charitable object of the Trust, namely: 'to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation'.

The emoluments are £2,000. The Fellow will be required to do full-time research; opportunities will be afforded to him to take a part in teaching or seminar work.

Further particulars may be obtained from the Assistant Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, London WC2, to whom applications are required to be sent by April 20th.

**THE INSTITUTE OF COST ACCOUNTANTS****Birmingham and District****EDUCATION COSTS**

England and Wales spent £93 million in 1962-63 compared with



financial controls are not too effective is because of the inadequate training or experience of some accountants and clerical staff. Smaller organizations cannot always afford to employ highly-paid accountants with specialist experience. In some cases the accountant with considerable auditing experience may lack costing knowledge, or perhaps a cost accountant lacks a background in financial accounts.

The contribution of accountants can be im-

proved by reading and attending training courses on the particular subject where experience is lacking. The employment of specialists for short periods would also assist in making financial controls more dynamic and useful.

As controls become more reliable and effective, management will begin to appreciate the greater rôle which accountants can play in decision-making. This has happened in the large organizations and can happen in the smaller companies.

## Providing for a Widow

by AN INSURANCE CORRESPONDENT

IT is debatable how much moral obligation an employer has towards the dependants of employees who die in service. In practice, the more secure is a man's employment (often with compensatingly low salary scales), the more he is inclined to feel that his employers should help with provision for his family in the event of his death before retiring age.

Certainly there is no doubt that an increasing number of firms are arranging insurance on a group basis for their married employees. For instance, a level premium of about £8 per annum will secure an income of £100 per annum for the employee's dependants until he would have reached the age of 65. If 60 is chosen as the date, the premium drops to about £5. From the firm's point of view, these premiums qualify as a business expense.

The advantage to the widow is that, unlike some payments under a pension scheme, the benefits payable annually in this way are considered to be capital instalments, and tax free.

### Family Income Benefits

Even where a firm does not make these arrangements on a group basis, any individual can effect a policy for what are generally known as family income benefits. The premiums are low, for they cover simply the risk of death, and generally there is nothing payable to the man who survives for the full period. On the other hand, a number of offices have incorporated a survival benefit, on a 'with profits' basis, in some of their policies. Attractive as this may appear to be, inevitably it has the effect of raising the premiums. Thus, for a given annual premium, the immediate effective cover is reduced.

The main aim of this form of policy is to

provide income for a widow until the children have been educated and are self supporting. If, however, immediate income is not the prime consideration, the income benefits may be commuted, and the proceeds used to purchase an immediate annuity. This will provide an income for life. Similarly, there may be a cash sum due under a pension scheme which can be converted into an annuity in the same way.

There is, however, a growing demand from firms for a form of policy which will provide a pension for a widow *for life* in the event of her husband dying while in the employ of the firm. A further point is that usually arrangements can be made for the pension to continue, in the event of the widow's death, until the youngest child in the family reaches the age of 16. This is of considerable importance in the unfortunate circumstance of both parents being killed together.

The amount of the pension provided by concerns varies, but often it is related to the employee's pension entitlement and may be, say, one-third of that figure. Unfortunately, however, this arrangement can be expensive. In the first place, a wife is usually younger than her husband; secondly she has a longer life expectancy.

To keep rates to a reasonably low level, especially during the early years, it is customary to insert a condition that the pension ceases if the widow remarries. On this basis, the premium for cover of one year which would secure a widow's pension of £100 per annum in the case of an employee aged 35 is £5 10s. But when the man is 55, the premium required is in the region of £24.

In one way or another, therefore, protection is provided for a man's wife while he is employed. For, apart from the various pensions mentioned,

there may be a capital sum due under a 'top hat' policy, and a further capital sum under a life assurance scheme where the firm pays the whole cost.

Besides the various benefits which will accrue as a result of the man's employment in this way, it is likely that he may very well have one or two private policies of his own. At one stage in the history of life assurance, the most popular form of assurance was a whole-life policy. This simply paid the agreed sum at death, whenever this might occur. Policies of this type can be arranged on a 'with profits' basis, so that they participate in the profits of the insurance company, reversionary bonuses being added to the sum guaranteed under the policy.

### Cessation of Premiums

Since it may be inconvenient for a man to continue paying premiums towards a whole-life policy after retirement, arrangements can be made for premiums to cease at age 65. Certainly it is sensible that they should cease at an agreed age, for the man who lives for a long time dislikes the idea of having to pay heavily in this way for his longevity!

Clearly, in those cases where a whole-life policy has been effected, there will be a capital sum for the widow – which can be used to purchase an annuity. In practice, however, it is very much more common for money to be invested each year in an endowment policy. This matures on a set date (and the age of 65 is a fairly common date chosen) or on earlier death. Thus, anybody who has one of these policies is paid the sum assured (plus bonuses, if it is on a 'with profits' basis) at, say, the age of 65, and there will be no continuing protection for his wife.

At retirement, the various schemes arranged by a firm to provide benefit for a man's widow, should he die, will cease. Often, therefore, shortly before a man retires he sees that these various provisions will cease on his retirement and he wonders what further arrangements he should make. There are a number of different methods which can be adopted. In the first place probably it is safe to assume that the man will have been in a pension scheme arranged by his employers. Although by no means all employees appreciate the fact, a considerable number of pension schemes allow members to take a *reduced* pension, it being a condition that instead of ceasing on the member's death, it will continue for the lifetime of his wife. This can operate in different ways. For instance, the amount of the pension may be at the same level throughout the lifetime of the pensioner and then the lifetime of his widow; or

it may be for, say, two-thirds of the original figure for his lifetime, reducing to one-third after his death for the remaining lifetime of his wife.

Anybody adopting this course (and the decision must be taken before the pension starts to be paid) should appreciate that should the wife die before the pensioner, the pension will remain at the reduced level. This is a chance which must be taken. Incidentally, so far as the income tax position is concerned, the pension ranks as earned income, whether it is in the hands of the pensioner himself or of his widow.

There is, however, another method which can be employed. In broad terms, the Inland Revenue allows up to one-quarter of an employee's benefits from all retirement schemes to which an employer has contributed (apart from the National Insurance scheme) to be commuted for a tax-free sum. This, of course, does not necessarily mean that a man can carry this out. For, if a pension will be received from an approved superannuation fund, no part of such a pension may be commuted. Nevertheless, commutation in full is allowed in the case of a scheme which is not an approved superannuation fund and for 'top hat' policies.

A sensible arrangement in practice, therefore, when pensions will be payable from both an approved superannuation fund and a 'top hat' policy is for the policy to be commuted for a tax-free sum to the extent of one-quarter of the total pension. Having secured a cash sum in this way, the next point to consider is how it can be used to the best advantage to provide a pension for a man's widow after his death.

### Disadvantages of Reversionary Annuities

Some men may think it sensible at the time to purchase a reversionary annuity for their wives. This will provide a wife with a guaranteed income for life after the death of her husband. The yield of the annuity is calculated on the age of husband and wife at the time of purchase. Nevertheless, attractive as this may appear to the layman, there are distinct disadvantages. To a great extent the man can be said to be facing the problem too early. After all, if this is arranged at retirement, he may very well live for ten or fifteen years. Considerable changes can take place in that time. For instance, his wife might predecease him – in which case he would see no tangible return at all for his money (although it is true to say that the initial price paid would take into account this possibility). On the other hand, the wife may not die but her health may deteriorate to such an extent that it would seem that,

after her husband's death, she does not have many more years ahead of her in which to enjoy the annuity.

Besides this, inflation may very well continue during the ten or fifteen years before the man's death. The annuity which seemed quite adequate when it was bought may seem to be miserably small by the time it is due to be paid.

Rather than buy a reversionary annuity in this way, it may very well be more sensible for a man to invest the money and to leave instructions in his will that, on his death, an annuity should be purchased for his wife. Nevertheless, even in this case, there is a drawback. For if this course is adopted, the annuity payments made to the wife will be taxed in full. They will not be subject to the usual exemption so far as the capital element is concerned. Furthermore, since the capital sum will have been in the deceased's estate, it will be subject to estate duty – thus reducing the income which can be bought.

Admittedly, the husband could effect a whole-life policy for his wife absolutely under the terms

of the Married Women's Property Act. He could draw on the original sum to pay the premiums. Gradually, therefore, this sum would be virtually freed from estate duty liability. For this policy would form a separate estate for duty purposes, and comparatively little duty would be paid on it.

One advantage of this method is that should the man die sooner than was anticipated, the wife would receive more from the insurance company in death benefit than had been paid in premiums. This would raise the purchase money available for the annuity – which would be necessary in view of the fact that she would be younger than had been anticipated.

On the whole, however, there is much to be said in favour of a man in this position simply making a present to his wife of the lump sum. It may be wise to guard against estate duty should he die within the next five years by taking out a special policy. The money can be invested and, when her husband dies, the wife can purchase an immediate annuity – taking full advantage of the fact that the capital element will not be taxed.

## Computers and the Business World

by PROFESSOR STANLEY GILL, M.A., Ph.D.  
Professor of Computation, University of Manchester.

THE development of the electronic computer in Britain has been in many ways a fascinating story, with something of the glamour of radar; indeed, I hope that before long someone will write up the inside story of this development – I am sure it will make good reading.

Britain has had its share of heroes in this field. There was, for instance, Alan Turing, who was not only a pure mathematician who started a new line in mathematical logic in the 1930s and whose name is now commemorated in the theory of Turing machines, but who also contributed to practical computing problems and laid down the original design of the ACE computer at the National Physical Laboratory.

There were Williams and Kilburn, who developed the computer store known throughout the world as the 'Williams memory', and used it in the original Manchester computer. And there was also Wilkes, with his team at Cambridge, who first developed computer programming as a practical subject.

Those were exciting days, when Britain was leading the world and many people of other nations were coming here to learn from us. Indeed, this was a subject that we were well fitted to exploit; it did not call for large amounts of raw materials or big

factories – just brain power and common sense.

Now, fourteen years later, what is the picture? We find British manufacturers struggling hard in the face of American competition, and having to keep a wary eye on Europe, too. We find computer installations in Britain are lagging a very long way behind those in America, and increasing more slowly than those on the continent of Europe. And our universities are unable to keep up with computing developments – indeed, they are hampered in research generally for lack of computing facilities.

Those of us who helped to put Britain on the computing map before 1950 have watched its gradual submergence ever since with heavy hearts; and we have some reason, perhaps, for feeling a little bitter about it all.

Of course, it is a familiar story. With few exceptions, it has been repeated in almost every branch of science. It is no use pretending that we can be top in everything, of course; but this does mean, I suggest, that we ought to consider very carefully and consciously just to which fields we in Britain should devote our efforts. We have, for example, chosen to spend considerable sums on developing nuclear power and fast aeroplanes. The question arises – Do we really need to keep abreast in computers, or are they merely an optional extra?

For my part I think there is something really

Speech made at a luncheon meeting of the Business Equipment Trade Association last week at the Savoy Hotel, London.

unique about computers; and our failure, twelve years ago, to foresee the significance of computers was particularly serious and should be an object lesson for everyone. For my part, again, I believe that the true significance of computers even surpasses that of atomic energy and rockets. We are now at the beginning of a vast and basic new technology – a technology that will lie at the heart of all the highly-developed civilizations of the future.

Civilization depends on management; and management depends on understanding and control, based on records and reports – on symbolic representations of the business. Every item of business equipment is concerned, in some way or another, with symbols; and the computer is the biggest wholesale symbol-processor of the lot. I venture to predict that by the end of this century – and probably before – almost every piece of business equipment will in some way be ancillary to an electronic computer. The whole of government, business and industry, will run on a nervous system composed of electronic computers on which we shall be spending hundreds of millions of pounds per year.

The very lame start that we have had so far has two serious consequences:

- (1) we have fallen behind in the race to exploit these new tools of management;
- (2) our own computer industry has not received the impetus it deserves to help it to hold its own in world markets.

In fact, the Government behaves as if it would be quite happy in the future to rely on foreign sources to supply the large amount of vital equipment that will be needed to run the machinery of government and business. Of course, it has not come to that and I am sure it never will – but the Government seems to act as if they don't care whether it does.

### Curious Distinction

Now if all that I have said is true, then it is one of the clangers of the century. And if it is a clanger – who dropped it? This is where we must learn our lesson. I am not going to be drawn by the temptation to blame it all on the Government. It is true that the Government has seemed to be extraordinarily sleepy. I, for one, have never understood the curious distinction between military and civil projects. It seems that if the Government foresees the need for something, and that 'something' happens to be a weapon of war, then it can spend vast sums of money in promoting the development. But if the 'something' is not actually a weapon – even though it may be just as vital to the needs of the nation – then the Government will apparently bend over backwards to avoid being seen to be actually taking any initiative.

In the case of computers, I would not allocate more than two-thirds of the blame on to the Government but wherever the blame is put, it comes back to the same basic cause, which is that this country is just not disposed to take scientific planning seriously. In fact, we don't take scientists seriously. We treat them

like precocious children to be shown off in public but not to be spoilt with too many sweets.

Our scientists, in fact, are a race of reluctant Peter Pans. Some, of course, are more reluctant than others; and some have even come to like it this way. But it is a grotesque travesty of human relations and it is doing Britain a lot of harm. This is how it operates: if you are not already a scientist you must not on any account admit to understanding a shred of science. If you happen to know who wrote *Agamemnon*, that's fine – you can employ all the wiles of Stephen Potter to score points off anyone who doesn't know. But if you happen to know, for instance, that acceleration is the rate of change of velocity – keep it quiet; pretend you do not know. Once you give it away you are damned. Your friends will all look embarrassed and they will never ask your advice on anything important again!

### Antiseptic Phrases

If you are forced to speak on a technical subject and you want to keep your self-respect, you must interject remarks like 'the experts say that' and 'it is a mystery to me how it works but'. These antiseptic phrases are as important as using a handkerchief when you sneeze!

Now, somehow this sort of thing has got to end. The most obvious offenders have been politicians, but I would not put all the blame on them. This is a democracy, and politicians would soon change their spots if the social climate changed – in fact, they seem to be changing already, somewhat ahead of the social climate and all credit to them for doing so. No, the biggest influences have been education and the mass media. Education has always had a great inertia, and on the whole I think it is trying hard to raise the status of science. The one organization that *could* have done a very great deal to correct our social astigmatism towards science is the B.B.C.; but it has done precious little, and that only within the last year or so.

This, perhaps, is the underlying cause of the so-called 'brain drain'; people just do not like being treated like children. (Though, in fact, I don't think the 'brain drain' is so serious as some of the newspapers would have us believe. Indeed, I would like to see an inquiry into the reasons why the majority of our scientists stay here, when they could earn two or three times as much in the U.S.A.). I am not saying that the financial frustrations aren't real; I have seen some pretty ludicrous situations myself in the universities; for example, because the Treasury has vetoed adequate funds for computers for universities, the D.S.I.R. has actually had to pay for scientists to go abroad to use foreign computers in order to get their work done.

But these absurd financial restrictions are shared with many other sections of the community – for example, teachers, nurses, doctors, old-age pensioners – to name only a few. I think the root cause of the computer lag is simply the 'unrespectability' of science and this could be very serious in the coming

decades. The field of business and commerce, and those who serve it, will be very greatly affected by the status of science. The whole of business methods must become more automatic, and this means that it will become more abstruse and scientific. Accordingly, non-scientists must be made to swallow scientific ideas on a large scale, and it is up to those in the business equipment trade to set a good example.

I am not suggesting that they should rush off and take an external degree in science or mathematics; but they might well, for example, try to understand computers – it is not as hard as all that.

And so, the next time someone asks you a scientific question, if you happen to know the answer, do have the courage to admit it. If you don't, try to look ashamed.

## Weekly Notes

### THE ASSOCIATION'S EXAMINATION RESULTS

**A** TOTAL of 3,126 candidates sat for the December 1963 examinations of The Association of Certified and Corporate Accountants, and 1,471 were successful.

In Section I of the Final, there were 614 candidates, of whom 265 (43.9 per cent) passed; the First Place and Prize being won by Mr A. R. Marchant, of Isleworth. The Second Place was won by Mr A. C. P. O'Doherty, of Dublin, and Third Place by Mr H. J. Byrne, of Dublin.

In Section II, a total of 351 sat of whom 134 (38.5 per cent) were successful. The First Place was won by Mr C. I. A. Creedon, of Enfield, the Second Place by Mr T. A. Busby, of Hertford, and the Third Place by Mr P. L. Sweeney, of Waterford.

There were 1,097 candidates for Section I of the Intermediate examination, of whom 569 (51.9 per cent) were successful, the First Place and Prize being won by Mr W. J. M. Mahoney, of London. In Section II there were 949 candidates of whom 446 (47.6 per cent) passed, the First Place being won by Mr F. N. C. Lochan, of London.

In the Preliminary examination there were 115 candidates, of whom 57 (49.7 per cent) were successful.

The names of the successful candidates in Section I and II of the Final, and in Section II of the Intermediate, appear elsewhere in this issue.

### CHANGE IN BANK RATE

**T**HE decision taken last week to raise Bank rate to 5 per cent was rather a surprise, although there had been a good deal of informed comment in previous weeks about the need to take early action to defend the United Kingdom's balance of payments position.

The authorities in London had advised Washington of the impending change and reactions from that country, to judge from the official communique which was issued there when Bank rate was increased,

indicated that the United States does not consider the increase as a disturbing factor in the international money market, but as a step to offset a flow of international funds which was already under way.

So far as the internal situation in the United Kingdom is concerned, the increase is explained as an effort to reduce the pace of expansion from the present 6 to a preferred 4 per cent. Any shock effect it might be expected to have would be on stocks. It has been apparent that the rising import bill which has occasioned the need for action has been caused by industry's stock building programmes during the winter. Most domestic rates of interest will move up in line, the main exception being building society mortgages which are not expected to change, at least for the time being.

The Chancellor of the Exchequer has emphasized that this increase in Bank rate is not to be interpreted as the beginning of a fresh 'stop-go' economic policy, but as a gentle curb applied in good time to a too fast rate of expansion.

### THE T.U.C. ON THE BUDGET

**I**N common with other organizations, the Trades Union Congress has submitted its annual pre-Budget recommendations to Mr Maudling. The Council of the T.U.C. derives some satisfaction from the immediate economic prospect for 1964, but is of the opinion that 'much remains to be done to consolidate what has been achieved so far'. In particular it is concerned over the lack of investment in manufacturing industry, just as it is with the pressure on the resources of the constructional industry.

It disagrees with economists' opinions that some dampening down of aggregate demand is needed if a balance of payments crisis is to be avoided. 'Exaggerated apprehensions about balance of payments difficulties have too often led to the imposition of restrictive policies . . .'. The T.U.C. argues that any such pressure on the balance of payments should be contained by using the reserves and, if necessary, by limiting temporarily any inordinate rise in imports – particularly in the import of manufactured consumer goods.

In view of the fact that economic expansion tends to be accompanied by disproportionate increases in profits and dividends, the T.U.C. feels that there is a strong case for an increase in the profits tax. It would prefer, however, to see introduced a separate

corporation profits tax 'levied more heavily on profits than the present combined tax'. It also asks for a more effective tax on realized capital gains, adding that there is no case for differentiating between short- and long-term gains.

### NEW DEFENCE ORDERS

**I**N the defence debate in the House of Commons last week Mr Thorneycroft, the Minister of Defence, announced several development contracts and policy decisions which will end controversy and give a useful boost to industry.

So far as aircraft are concerned, the Royal Air Force is to have the Hawker Siddeley P-1154 vertical take-off fighter, powered with the Bristol Siddeley BS-100 engine. So ends a long delay while the Royal Navy and R.A.F. argued about the possibility of a dual purpose P-1154. In the end, the R.A.F. are going ahead with the 'simplified' version and the Navy gets its Phantoms from the United States. These will have Rolls-Royce engines. The Hawker Siddeley HS-681 tactical transport for the R.A.F. is also to go to the development stage. Once the development versions of the P-1154 and HS-681 have been evaluated, quantity production may be possible.

A decision has also been taken to build a fifth Polaris missile submarine at a cost of £70 million. According to Mr Thorneycroft, the Government has now come to the conclusion that a fleet of five submarines is necessary rather than four and that this will represent a 'formidable deterrent'.

### BUILDING MATERIALS COSTS

**T**HE publication is expected at the end of this week, after this issue has gone to press, of the National Economic Development Council's report on the construction industry (including both building and civil engineering). These two industries have in fact a vital role to play and the Minister of Public Building and Works said this week in the United States that the construction industry would be asked to expand its output by 50 per cent in the next ten years.

Against this general background there have been criticisms recently about the upward tendency in the price of building materials and forecasts of an increase of 4 per cent in prices by the end of 1964 have been made. Since building materials account for between 50 and 60 per cent of house building costs, substantial increases in the price of materials could notably affect the cost of houses. No matter how fast progress may be with industrialized building systems, the great bulk of houses to be built by local authorities and private enterprise over the next few years will be erected by traditional building techniques. Over the next year or two housing targets will increase in many areas and the financial implications of higher building costs, especially at the present time when interest rates on borrowed money are likely to rise rather than fall, present serious problems both to private developers and local authorities.

### DEBATE ON SCIENCE

**T**HE recent debate on science in the House of Commons had an electioneering flavour. Mr Quintin Hogg, Minister for Science, said that the net outflow of scientists and engineers to the United States was serious, persistent and more than the country could afford, but there was no easy remedy for the so-called 'brains drain'. Indeed, as more and more able scientists were produced the greater would be the temptation to seek jobs abroad.

The Opposition were critical of the administrative arrangements recently put forward by the Government following the Robbins Report on higher education and the Trend Report on Civil Science. Mr Crossman, speaking for the Opposition, said that there was a need for a full-time Minister of Education and a full-time Minister of Technology, but he was not very specific as to how these two Ministries would deal with the allocation of assistance on research. Nor was there any indication given by the Opposition as to how their new Ministries would fit in with existing Whitehall departments.

Nevertheless the impressions persisted that the Government's arrangements for the supervision of education are going to prove cumbersome in the event. It is apparent, however, that the problem is not merely an organizational one. It has been amply shown in the last few weeks that the reason why talented men leave the United Kingdom is for either higher emolument or for better research facilities. This being so, the problem is one of paying the market rate for the services and environment of those who do fundamental work.

### DOWNWARD PROFITS TREND

**I**N the latest *Bulletin for Industry* put out by the Information Division of the Treasury an article gives a selection of profits calculations to show the share which profits have taken in the gross domestic product of the United Kingdom in the period 1948-62 and the year 1938. Profits as defined in this article are a statistical rather than an accounting concept. Accountants may take exception to a particular definition of profit but, provided their definition is consistent within itself, it is possible to accept a trend over a period of time.

In the article, gross profits for the country as a whole are defined as the difference between sales proceeds of an enterprise (less taxes levied on sales, such as purchase tax but including additions to the value of stocks) and its costs, including the payment of what it buys from other enterprises but not the cost of maintaining its plant. Net profits are defined in the article as gross profits less capital consumption and stock appreciation. A trend of figures from 1948 to 1962 shows that both gross and net profits declined in their share of the gross domestic product. Indeed, the share of profits in 1962 on both a gross and net basis were well below even the 1938 percentage. The article emphasizes that the point worth noting is that

since 1948 profits have fluctuated in something like five-year cycles. It goes on to say that judgements on whether a trend of profit is upward or downward compared with the gross domestic product can be made reliable only over a run of years.

Consideration is also given to the rate of profit earned per unit of capital. Here again there are signs of cyclical fluctuations and there also appears to be a declining trend, although the ratio of dividend and interest rates (before tax) to net assets remains fairly stable. This last would be expected, of course, since distributions to shareholders have not been cut when profits have declined. Figures are also produced to show that between 1948 and 1951 the margin of profit (calculated by comparing total gross profits to the

value of financial output for all goods and services) was also declining.

While cyclical changes in profits would perhaps be expected since the problem of the trade cycle has not been overcome, the tendency for profits to take a smaller proportion of the gross domestic product is more unexpected. As the bulletin says, some acceleration of the growth of profits might be expected to accompany an acceleration of the growth of the stock of fixed capital in the United Kingdom, but even in the individual industries which are given, a decline in profit margins is apparent between 1951-52 and 1959-60. The figures emphasize the continuing pressure exerted by costs, including wages, on the residual item, profits.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 214

WHEN we were articled clerks, Ned and I were sent to a small country town to do the preliminary audit work on the books of a firm of solicitors. They had a large practice, covering several local industries as well as the assorted personal and farming problems of the district.

The principal was one of those jovial, eagle-eyed types whose political and social contacts seemed incredibly wide to us City cubs; we admired him immensely. The routine, backroom work was looked after by his cousin and partner—a rather faded, nondescript little man in shabby tweeds with a habit of blinking vaguely when asked a question. He was referred to as Pop by all and sundry, and seemed harmless; we rather patronized him.

There was little enough of social gaiety in the town for articled clerks and boredom set in early. Hence it seemed a change, if not much else, when Pop invited us to lunch with him on Saturday and to 'see over the farm'. We accepted, of course (couldn't hurt the old chap's feelings and all that) and donned our old sports clothes with a vague anticipation of chivvying cattle.

Accordingly, at one o'clock (we worked on Saturdays in those pre-war years) we boarded Pop's battered old tourer and started off. I sat in front with him, with stately condescension; Ned reclined luxuriously in the back with a 'Home, James' expression of superiority. He chose badly. Pop stopped at several shops, dumping assorted bags on the spare back-seat with an abstracted look.

We entered by the back gate . . . a winding, muddy

lane . . . numerous livestock, barns, outhouses . . . corduroy-legged workers with queries for Pop. He sounded vague as ever, but they accepted his suggestions with alacrity. Ned didn't notice; he had stepped deep into a dark brown pool of agricultural liquid assets.

We wouldn't mind lunching in the kitchen, Pop assumed, as he led us into the long low whitewashed rear buildings; there was some sort of hen-party scheduled for the afternoon. We sat down to roast beef and Yorkshire pudding, preceded by the fullest glasses of Scotch we'd ever encountered.

Pop's wife, harassed but hospitable, supervised the meal, assisted by a daughter with untidy hair and shapeless frock. I caught Ned's eye. He had the look of one of Jeffery Farnol's languid Corinthians. 'Yours, brother', he signalled amusedly. Another, in jodhpurs, flushed with riding, shaped like Diana, came in, and we sat up sharply.

Over apple pie and cream, then coffee and brandy, we tried to establish liaison, but in vain. Jodhpurs was describing some equine biological enterprise with a casual candour of expression which put city sophistication in the shade. Clearly articled clerks didn't exist in her scheme of things; horses had priority.

Later Pop took us through to the front part of the house and the atmosphere changed perceptibly as we emerged from the low-ceilinged back corridor. Perhaps the big panelled hall was responsible, or the massive silver plate on the Chippendale sideboards; or perhaps it was the swimming pool beside the hard court beyond the terrace. Perhaps it was the glamorous party that was assembling. There was Mrs Pop at her most county, smiling and assured, with the two daughters radiant and devastating in Dior-like creations, surrounded four deep by attentive cavaliers. Pop was the centre of another deferential circle; I found myself addressing him as 'Sir'.

Which all goes to show that articled clerks can sometimes guess quite wrong.



# Finance and Commerce

## English China Clays

**A**SSET values are an important point in the accounts of English China Clays Ltd which provide this week's reprint. Lord Aberconway, the chairman, refers to a statement by his predecessor last year that the board was reviewing the book values of the freehold and leasehold properties of certain subsidiaries, where for many years it had not been deemed necessary to provide any depreciation.

The result of the valuation of these properties – land, buildings, minerals, some freehold and some leasehold – by a leading firm of valuers is now reported. As at September 30th, 1963, the valuation shows an excess of over £6 million over the book value at that date. This, says the chairman, fortifies the board in its policy of continuing, with minor exceptions, not to depreciate the book value of these assets.

Naturally, he continues, this valuation has been based on the information as to reserves, and forecasts of output and sales, available at the accounting date. Since that date, marketing forecasts indicate that higher sales should be achieved; also additional reserves of minerals have been proved.

In view of these factors and the board's firm faith in the company's long-term growth and business progress, the board considers the valuation may be regarded as a minimum figure showing that the group's real assets of this description are worth substantially more than is shown in the consolidated balance sheet. The directors have not revalued these assets in the group accounts to accord with the valuation.

In such circumstances, the view has been expressed more than once in this column that the facts of the valuation should not be allowed to slip away into the past but should be preserved in future balance sheets as a note to the asset item.

## Yearly Retentions

The depreciation question may be viewed in the context of the chairman's statement in connection with the increased dividend. Each year, he points out, the company retains in the business a substantial amount out of profits accruing to shareholders, and these retained profits help to keep the business up to date and competitive to the benefit not only of shareholders, but of work-people and customers.

Profits, it will be noted, are up despite the 1962–63 winter, some of the effects of which are shown pictorially – 'man-handling blocks of ice from one of the 140-ft diameter dewatering tanks'. China clay production is basically a water-washing process.

The 11 per cent tax free dividend against 9 per cent tax free, it is pointed out, represents 5.2 per cent tax free on shareholders' funds against 4.6 per cent tax free. It is now planned to capitalize £4,453,786 of reserves in a one-for-two share distribution, with a warning that there is no intention of maintaining the increased dividend on the increased capital.

## Export Position

Despite the description 'china clay', only about 25 per cent of total tonnage goes into ceramics. By far the largest industrial use is in paper-making and sales to that industry expanded most. Glass, textiles, inks and paints are some of the products to which it also contributes.

Nearly three-quarters of the company's china clay sales are to export markets. 'Britain's failure to gain entry to the Common Market appears so far to have had no effect upon our exports.' The company's export performance is heightened by the competition abroad which it faces.

At this point, Lord Aberconway seems to give shareholders an indication that the company may run its own ships to carry its exports. 'Perhaps the biggest threat to our ability to maintain our world-wide trade', he says, 'is the risk that freight rates may rise and render prohibitive the cost of our clay overseas in competition with indigenous materials'. There was indeed a sharp increase in freight rates towards the end of the year.

'Regrettably', he says, 'the major part of our export tonnage continues to be carried by foreign shipping, and this gives your directors considerable food for thought. The company is already engaged in a small way in shipping'.

## Other Products

The company, in fact, has its own harbour at Par in Cornwall, five miles from its St Austell headquarters, which was used by over 1,500 vessels last year, handling some 850,000 tons of cargo – 90 per cent china clay. But the harbour is tidal and can only take ships up to 1,000 tons.

Apart from china clay, the company has a close association with the building industry. The building division itself is carrying out the first phase of the redevelopment of the St Austell town centre. The mineral products department has had a notable increase in sales of building blocks and has developed specialized concrete products such as garages, cladding slabs and portal-framed buildings.

Water, as already mentioned, is an essential in the company's operations. It starts with the washing of the raw clay from the pit face with a power hose. But the board now has to bear patiently with the Water Resources Act introduced last July, which in effect, says Lord Aberconway, nationalized water and provided for the imposition of a scheme of financial charges which must increase the company's cost of production.



**ENGLISH CHINA CLAYS LIMITED**  
**BALANCE SHEET AS AT 30th SEPTEMBER, 1963**

	£	1962	£		£	1962	£
<b>SHARE CAPITAL:—</b>				<b>SUBSIDIARY COMPANIES:—</b>			
Authorised:				Shares—at Par Value	4,059,050		4,059,050
2,000,000 5½ per cent. Cumulative Preference	2,000,000			at Cost	3,444,313		3,444,313
Shares of £1 each .. .. .	2,000,000				7,503,363		7,490,535
60,000,000 Ordinary Shares of 5/- each .. 15,000,000	15,000,000			Advances to provide for capital expenditure and working capital	14,138,651		13,126,777
	£17,000,000		£12,000,000		21,642,014		20,617,312
<b>Issued and Fully Paid:</b>							61,250
1,642,143 5½ per cent. Cumulative Preference	1,642,143			<b>TRADE INVESTMENT—Shares and Loan (at Cost)</b>	161,700		
Shares of £1 each .. .. .	1,642,143						
35,630,292 Ordinary Shares of 5/- each .. 8,907,573	8,907,573		10,549,716	<b>CURRENT ASSETS:—</b>			
	£10,549,716			Amounts due from Subsidiary Companies on Current Accounts including Dividends Receivable .. .. .	1,923,093		1,384,344
<b>CAPITAL RESERVE (Note 1 *)</b>	1,322,224		952,687	Sundry Debtors .. .. .	15,442		15,432
<b>REVENUE RESERVES:—</b>				Quoted Investments at Cost .. .. .	3,893		3,893
General Reserve .. .. .	7,000,000			(Market value at 30th September, 1963, £27,593)			
Staff and Workmen's Welfare Reserve (Note 2 *) .. .. .	100,000		7,100,000	Tax Reserve Certificates	800,000		500,000
				Balances at Bank .. .. .	278,727		123,266
<b>PROFIT AND LOSS ACCOUNT .. .. .</b>	1,239,604		1,221,111		3,021,155		2,026,935
Shareholders' Funds .. .. .	20,211,544		18,823,514				
<b>FUTURE TAXATION:—(Note 7 *)</b>							
On Profit earned to date .. .. .	1,932,000		1,714,000				
Taxation Equalisation Reserve .. .. .	492,655		468,984				
	2,424,655		2,182,984				
<b>CURRENT LIABILITIES:—</b>							
Amounts due to Subsidiary Companies and Stock Provisions .. .. .	315,991		131,088				
Sundry Creditors .. .. .	137,489		121,872				
United Kingdom Taxation (Note 7 *) .. 1,084,000	1,084,000		973,000				
Net Dividends:							
Preference, half-year to 30th September, 1963 (since paid) .. .. .	27,650		27,660				
Proposed Final Dividend on Ordinary Shares .. .. .	623,530		445,379				
	2,188,670		1,698,999				
	£24,824,869		£22,705,497				

Signed on behalf of the Board,  
ABERCONWAY }  
JOHN KEAY } Directors.

\*Notes not reproduced. — Editor.

**ENGLISH CHINA CLAYS LIMITED AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED BALANCE SHEET AS AT 30th SEPTEMBER, 1963**

	£	1962 £	£	1962 £
<b>SHARE CAPITAL OF ENGLISH CHINA CLAYS LIMITED</b> .. .. .	10,549,716	10,549,716		
<b>CAPITAL RESERVE (Note 1*)</b> .. .. .	1,322,224	952,687		
<b>REVENUE RESERVES:—</b>				
General Reserve .. .. .	7,000,000	6,000,000		
Staff and Workmen's Welfare Reserve (Note 2*) .. .. .	100,000	100,000		
	<u>7,100,000</u>	<u>6,100,000</u>		
<b>PROFIT AND LOSS ACCOUNT</b> .. .. .	1,417,783	1,391,200		
Shareholders' Funds .. .. .	<u>20,389,723</u>	<u>18,993,603</u>		
<b>FUTURE TAXATION:—(Note 7*)</b>				
On Profit earned to date .. .. .	1,951,402	1,730,514		
Taxation Equalisation Reserve .. .. .	492,655	468,984		
	<u>2,444,057</u>	<u>2,199,498</u>		
<b>CURRENT LIABILITIES:—</b>				
Sundry Creditors and Accrued Charges .. .. .	2,966,483	2,565,513		
United Kingdom Taxation (Note 7*) .. .. .	1,084,000	973,000		
Net Dividends:				
Preference, half-year to 30th September, 1963 (since paid) .. .. .	27,660	27,660		
Proposed Final Dividend on Ordinary Shares .. .. .	623,530	445,379		
	<u>4,701,673</u>	<u>4,011,552</u>		
				<u>£25,204,653</u>
<b>FIXED ASSETS:—</b>				
At the Net Book Value at 30th September, 1947, with subsequent Net Additions at Cost or Valuation based on Cost to the Group:				
Freehold Properties and Mineral Rights	8,287,821	7,995,615		
Less: Depreciation (Note 6*) .. .. .	62,139	52,744		
		<u>7,942,871</u>		
Leasehold Properties .. .. .	1,212,008	1,099,976		
Less: Depreciation (Note 6*) .. .. .	21,411	16,281		
		<u>1,083,695</u>		
Plant, Machinery and Equipment	17,438,251	15,858,360		
Less: Depreciation .. .. .	8,485,311	7,175,479		
		<u>8,682,881</u>		
	<u>18,369,219</u>	<u>17,709,447</u>		
<b>TRADE INVESTMENTS—Shares and Loans</b> (at Cost less amounts written off) .. .. .	278,462	195,630		
<b>CURRENT ASSETS:—</b>				
Stocks on Hand and Work in Progress (less Cash Received on Account) as valued by the Companies' Officials .. .. .	3,085,584	3,131,075		
Sundry Debtors and Payments in Advance, less Provisions for Bad Debts .. .. .	4,490,824	3,325,485		
Quoted Investments at cost .. .. .	4,761	4,761		
(Market value at 30th September, 1963, £28,996)				
Tax Reserve Certificates .. .. .	800,000	500,000		
Balances at Banks and Cash in Hand .. .. .	506,603	338,255		
	<u>8,887,772</u>	<u>7,299,576</u>		
				<u>£27,535,453</u>

\*Notes not reproduced. — Editor.

**ENGLISH CHINA CLAYS LIMITED**  
**AND SUBSIDIARY COMPANIES**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT, YEAR TO 30th SEPTEMBER, 1963**

	£	£	£	1962	£
<b>PROFIT OF GROUP FOR THE YEAR BEFORE TAXATION AFTER CHARGING THE FOLLOWING ITEMS (Note 5*)</b>					
		4,289,919			4,014,337

	1963	1962
	£	£
Directors' Emoluments (Note 8*)	42,284	34,095
Auditors' Remuneration	12,899	12,547
Goodwill and amounts written off Trade Investments	1,668	12,814
Depreciation and amounts written off Plant, Machinery and Sundry Properties	1,619,486	1,551,538
	<u>£1,676,337</u>	<u>£1,610,994</u>

<b>Deduct:</b>				
<b>Taxation on profit for year, subject to Agreement:</b>				
United Kingdom Profits Tax	517,455		516,139	
United Kingdom Income Tax	1,355,192		1,244,558	
Overseas Taxation (net after reliefs)	59,621		49,264	
	<u>1,932,268</u>		<u>1,809,961</u>	
Taxation Equalisation Reserve	23,671		65,686	
		1,955,939		1,875,647
		<u>2,333,980</u>		<u>2,138,690</u>
<b>Add:</b>				
Provisions for United Kingdom Taxation no longer required	53,860		—	
<b>PROFIT OF GROUP FOR THE YEAR AFTER TAXATION</b>		2,387,840		2,138,690

<b>TRANSFERS TO RESERVES:—</b>				
English China Clays Ltd.:—				
Capital Reserve:—				
Taxation relief in respect of Investment Allowances	326,105		292,375	
Revenue Reserves:—				
General Reserve	1,000,000		750,000	
		1,326,105		1,042,375
		<u>1,061,735</u>		<u>1,096,315</u>
<b>Add:</b>				
<b>BALANCES BROUGHT FORWARD:—</b>				
English China Clays Ltd.	1,221,111		1,032,883	
Subsidiary Companies	170,089		119,003	
		1,391,200		1,151,886
		<u>2,452,935</u>		<u>2,248,201</u>

<b>NET DIVIDENDS PAID OR PROPOSED TO BE PAID:—</b>				
Preference Capital	55,320		55,320	
Ordinary Capital	979,832		801,681	
		1,035,152		857,001

<b>BALANCES CARRIED FORWARD:—</b>				
English China Clays Ltd.	1,239,604		1,221,111	
Subsidiary Companies	178,179		170,089	
		<u>£1,417,783</u>		<u>£1,391,200</u>

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## CITY NOTES

IN the paradoxical way of things during election year, the recent increase to 5 per cent in Bank rate is proving a 'bull point' for the stock-market. The Bank rate move has not only eliminated an element of uncertainty but effectively demonstrated that the Government, for all its concern with the General Election, is fully prepared to put in an economic 'stitch in time'.

There are now tentative and selective buyers of leading equities and prices have rallied. The market is coming up to the busiest period of the year for company news. The December 31st end-year results are beginning to come in and the run of company announcements will continue strongly until June by which time the March 31st end-year figures will be out.

This prolonged dividend season has begun well enough, with particularly good figures from Imperial Chemical Industries. Most industrial companies should be able to show higher earnings as the result of 1963 and 1963-64 operations and, in view of the Labour Party's views on industrial taxation, it will be surprising if company boards do not follow a policy of paying higher dividends while the paying is good.

Against that background, industrial equities should at least hold their present price levels, particularly if the current political swing towards the Government continues. All the same, the final months before a General Election are not exactly the best of times for investment forecasting. As things stand now, though, there would appear to be better prospects of a market rally than there has been for some weeks.

The rise in Bank rate underlines how wise the Council of the Building Societies Association has been not to heed the clamour for an early reduction in building society interest rates. Those rates do not necessarily

turn immediately on Bank rate, it is true, but they do turn on the competitive level of interest rates elsewhere and those will certainly not go down now.

When building society interest rates are a subject of comment, the accent is invariably placed on the mortgage rate. There are invariably champions for the borrower; and too little emphasis is placed on the point that unless the investor in building societies is offered a reasonable interest rate, the borrower will find his ability to borrow limited.

The purchase by the Unilever-owned Mac Fisheries company of the thirty-nine Premier Supermarket stores of the Express Dairy company puts an interesting new slant on supermarket development. Mac Fisheries has been branching out into bigger 'food centres', as it calls them, but Express Dairy have found the supermarkets harder going. Premier's turnover is of the order of £8 million and by selling out to Mac Fisheries, the Express Dairy company can achieve a wider spread of Express products in Mac Fisheries shops.

No price has been given for the deal but estimates vary between £2 million and £4 million and clearly there is some guesswork going on.

Not for the first time the Manchester Corporation has introduced a financing innovation. Through S. G. Warburg & Co, the Manchester Corporation has placed a private issue of £500,000 one-year bonds at 4½ per cent in the London discount market.

The bonds are the first of their kind to be issued by a local authority in Britain. Their issue shows the adaptability of the local authority capital market to changing circumstances – or rather Manchester's ability to do the adapting.

Manchester's lead is likely to be followed by other leading corporations.

## RATES AND PRICES

Closing prices, Wednesday, March 4th, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 3/4	Frankfurt	11.11 3/4
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 1/8	Milan	174.1 1/2
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.09 1/8	Oslo	20.02 1/2
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.46 1/2	Paris	13.71 3/8
				Copenhagen	19.33 1/2	Zürich	12.11
Treasury Bills				Gilt-edged			
Dec. 27	£3 14s	5.08d%	Jan. 31	£3 15s	2.01d%	Consols 4%	64 1/2
Jan. 3	£3 14s	4.19d%	Feb. 7	£3 15s	5.97d%	Consols 2½%	41 1/2xd
Jan. 10	£3 14s	3.33d%	Feb. 14	£3 15s	6.84d%	Conversion 6% 1972	104
Jan. 17	£3 14s	3.63d%	Feb. 21	£3 15s	8.80d%	Conversion 5½% 1974	99 1/8
Jan. 24	£3 14s	3.81d%	Feb. 28	£4 6s	1.66d%	Conversion 5% 1971	98 1/2
Money Rates				Conversion 3½% 1969	91 1/2	Savings 3% 65-75	79
Day to day	3 3/8-4 1/8%	Bank Bills	2 months	Conversion 3½%	56 3/8	Savings 2½% 64-67	92 3/8
7 days	3 1/4-4 1/4%		3 months	Funding 5½% 82-84	96 3/8	Treas'y 5½% 2008-12	90 3/8
Fine Trade Bills			4 months	Funding 4% 60-90	94 1/2	Treas'y 3½% 77-80	77 1/2
3 months	5 1/8-6%		6 months	Funding 3½% 99-04	64 1/2	Treas'y 3½% 79-81	76 1/8
4 months	5 1/8-6%			Funding 3% 66-68	91 1/8	Treas'y 2½%	41
6 months	6-7%					Victory 4%	95 1/8
						War Loan 3½%	57 1/8

# Current Law

## Mortgagee versus Deserted Wife

IN 1957 a husband deserted his wife, leaving her and their children at the matrimonial home and going to live with his mother, some half-mile away. The matrimonial home was registered land, the husband being registered as proprietor with absolute title. In 1958 the husband mortgaged the property to a bank and the charge was duly registered in the charges register. The bank did not know that the husband had deserted his wife. In 1959 a company was formed to take over the husband's business and properties. The bank was prepared to accept the company as its principal debtor in place of the husband, if he guaranteed the company's account. Accordingly, the charge by the husband was discharged and a new charge by the company in favour of the bank was duly registered in the charges register, the company by this time appearing as the registered proprietor.

In 1961 the wife obtained a decree of judicial separation, and it was only at about this time that the bank learned for the first time that she had been deserted and left in possession of the matrimonial home. The wife obtained an order for permanent alimony, which was made on the basis that the husband was providing her and the children with a rent-free home at the matrimonial home. The company failed to comply with a notice from the bank calling in its debt and the bank issued a summons for possession.

In *National Provincial Bank Ltd v. Hastings Car Mart Ltd & Others* ([1963] 2 All E.R. 204), Cross, J., held that the fact that a wife who was deserted might be able successfully to resist a claim for possession made by a successor in title of the husband did not constitute an 'overriding interest' within section 70 (1) (g) of the Land Registration Act, 1925, and that the bank was entitled to an order for possession; but as there was pending an application by the wife for an order under section 2 of the Matrimonial Causes (Property and Maintenance) Act, 1958, setting aside the conveyance of the matrimonial home by the husband to the company on the ground that it had been made with the intention of defeating her claim against him for financial relief, his lordship said that it would not be right to compel her to give up possession until that application had been determined, and he made an order for possession in three months with liberty to apply for an extension if, without fault on the wife's part, her application had not by then been determined.

## Conveyance Set Aside: No Help to Wife

IN due course Hewson, J., in the proceedings under the Matrimonial Causes (Property and Maintenance) Act, made an order setting aside the conveyance by the husband to the company. In further proceedings, *National Provincial Bank Ltd v. Hastings Car Mart Ltd & Others* (No. 2) ([1963] 3 All E.R. 649), before Cross, J., it was argued for the wife that the order for possession should be rescinded on the ground that as a result of the order of Hewson, J., the bank's security had been destroyed. For the bank it was argued, first, that no disposition of any sort made by the company could be affected by section 2, because that section referred only to the setting aside of the disposition made by the husband; and, secondly, that in any case dispositions made by the company in favour of purchasers for value without notice of the wife's right to avoid the disposition by the husband could not be affected by the section.

While not deciding that no order could be made under section 2 which could affect a disposition other than the disposition made by the husband, Cross, J., said that he could not think that Parliament could ever have intended that an order under the section should affect a purchaser for value without notice from the husband's grantee. His lordship pointed out that subsection (3) of section 2, expressly provides that a purchaser for value without notice from the husband himself shall not be affected by the section and said that it was very odd, if such a person was not affected, that a purchaser for value without notice from a grantee of the husband was caught by the section.

Accordingly, Cross, J., held that the only operation of Hewson, J.'s order was to revest in the husband any beneficial interest in the property which was immediately previously held by the company, and did not operate to affect the mortgage to the bank. Accordingly, the wife's application was dismissed.

## Wife's Right an 'Overriding Interest'

THE wife appealed to the Court of Appeal against Cross, J.'s decision that the bank as mortgagee was absolutely entitled to an order for possession on the basis that her right to remain in possession was not an 'overriding interest', and against his lordship's decision that the bank's charge was not affected by Hewson, J.'s order. The bank cross-appealed, asking the Court to exercise its discretion to order the wife to give up possession of the house.

The Court of Appeal by a majority (Lord Denning, M.R., and Donovan, L.J., Russell, L.J., dissenting) (*The Times*, January 30th) allowed the first appeal but dismissed the second. Lord Denning, having referred to the deserted wife's right as a licence coupled with an 'equity', observed that in the case of unregistered land it was not an incumbrance capable of registration under the Land Charges Act, 1925, and said that it

was protected as an 'equity' without registration against any successor except a purchaser for value without notice, and that the question of notice was to be determined by asking whether the particular matter would have come to the knowledge of the successor 'if such inquiries and inspection had been made [by him] as ought reasonably to have been made by him' within section 199 of the Law of Property Act, 1925.

In the case of registered land, his lordship said, the question depended on whether the interest was an 'overriding interest' within paragraph (g) of section 70 (1) of the Land Registration Act: he held that it was, seeing no reason for confining to proprietary rights 'the rights of every person in actual

occupation of the land . . . save when inquiry is made of such person and the rights are not disclosed' referred to in that paragraph. In such a case as the present there was little difference in the result, whether or not the land was registered, for anyone who was buying a dwelling-house or lending money on the security of it ought reasonably to make inquiries as to who was in actual occupation of the house and on what terms. The bank had made no inquiries whatever, and the result was that although the charge which it had was valid it took it subject to the wife's equity to remain in occupation. On the bank's cross-appeal the matter was adjourned to a later date to enable further evidence to be received and considered.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Management Accounting and Government Accountability

SIR, — Few would quarrel with Mr Most's plea for better Government accounting (February 22nd issue). But it is not helpful to exaggerate one's complaints, a mistake often made by those critics of Government accounting who do not realize the extent to which the main social services are in practice administered by the local authorities. The latter do keep accounts on a complete income and expenditure basis, do classify their expenditure extensively over the sort of objective headings sought by Mr Most, and do publish very exhaustive cost comparisons.

The example chosen by Mr Most — the education service — is doubly unfortunate. Most branches of this service are administered locally, and the enclosed extract from *Education statistics 1962-63*, published by The Institute of Municipal Treasurers and Accountants and The Society of County Treasurers, shows the nature of the available published statistics on current account. On capital account, school construction has been the subject of so effective a cost control, administered by the Ministry of Education, that the *real* cost per school place is now about one-half of what it was in early post-war years.

If Mr Most analyses our published education statistics in the way he has in mind, he will find substantial regional and local differences in costs per pupil. But he will also find similar differences in the ratio of teachers to scholars. For reasons which need not be enumerated here, some of us have a much smaller proportion of teachers than others — and our costs will be correspondingly lower. But no

educationist would equate low costs of this nature with efficiency. Similarly, some authorities will show low costs because they have a big proportion of schools so old as to be free of debt charges; but which education service is more efficient, that carried out in old schools, or in new?

I do not for a moment wish to minimize the importance of cost comparisons. On the contrary, the very exhaustiveness of the cost statistics published annually by The Institute of Municipal Treasurers and Accountants, and The Society of County Treasurers, for example; on children's services; education; fire services; local health services; police forces; public libraries; welfare services; etc., shows how importantly we regard them. But in this field there is many a trap for the unwary.

Yours faithfully,

J. B. WOODHAM,  
B.SC.(ECON.), F.I.M.T.A.,

Middlesbrough Borough Treasurer,  
COUNTY BOROUGH OF MIDDLESBROUGH.

[Mr Kenneth Most writes: I acknowledge with pleasure the superiority of local government accounting over national Government accounting. Nevertheless, the standard varies considerably between local authorities and I have yet to see a local authority publish a profit and loss account and balance sheet which would compare with the best of published commercial accounts.

My choice of education, unfortunately, was in fact a good one, as examination of the statistical section of the Robbins Report will verify. I am aware that local authorities make certain analyses of expenditure, and am grateful to Mr Woodham for sending me examples of the type of figures prepared. In addition, it appears that the Ministry of Education is calculating a form of unit cost, and I welcome an invitation I have received to visit accountants there to discuss the work they are doing in this field. One would expect that cost accounting would attempt to combine data from both national and local government sources in order to calculate the type of 'average' cost per place which I suggested in my article, but this does not appear to be available at local authority level.

I find it difficult to grasp the utility of analyses of

expenditure which are referred to as education statistics. In the first place, the cost unit changes during the course of tabulation, without any significant reason appearing (from pupils to 1,000 population). Secondly, the figures will not do as unit costs since they represent only an analysis of local authority expenditure on education services. Thirdly, they do not offer any control information since the fundamental breakdown between fixed and variable is not made.

For the first two reasons I claim that the Robbins Committee was unable to calculate the cost of the further education programme it proposed; for the third reason I submit that cost control must be virtually impossible in this area.]

### Marginal Costing

SIR, - In reply to Mr E. J. Broster's letter published in your February 29th issue, I agree with his view that declining marginal cost does not necessarily mean declining total cost with increased output, but it should be observed that declining marginal cost will certainly *lead to* declining total cost with increased output unless some independent impulse is introduced to reverse the declining marginal cost. Mr Broster needs only to extend the line in fig. 2a in his article in the February 15th issue to demonstrate this.

A declining marginal cost with increased output should be disregarded for the reason that an impulse independent of changes of output is required both to start and to terminate any declining marginal cost.

Mr Broster claims that he has never suggested a U-shaped cost curve, but in fact under the heading 'Concept of normal capacity' (page 181) we find the following sentence.

'As the curve continues curling upwards, a point will be reached at which the marginal cost is equal to the average cost.'

It is difficult to see how marginal cost can curl upwards to become equal to average cost unless reference is being made to U-shaped curves.

The generally accepted definition of marginal cost as applied to a single producer is the difference in total cost between producing  $n$  units and  $n+1$  units of output. If  $n=0$ , then, the total variable cost of producing  $n$  units must also be 0, so that when 1 unit of output is produced, the marginal cost must be the same as the total variable cost. Any purported marginal cost curve which fails to equal total variable cost when output is 1 unit will be defective for certain purposes.

In part 2 of his article in your February 22nd issue, Mr Broster shows a total cost curve  $T=kq^2$  and then asks us to believe that its corresponding marginal cost curve is  $T=kzq^{2-1}$ . If output ( $q$ ) equals 1, and  $z$  is more than 1, then marginal cost is *more* than total cost, a ridiculous situation.

Yours faithfully,

London W1

P. L. GRIFFITHS.

[Mr E. J. Broster writes: I am glad Mr Griffiths agrees that it is possible for the total cost to increase

while the marginal cost declines with an increase in the rate of output. It is now clear that he was originally confusing a declining marginal cost with a negative marginal cost. If I did extend the graph in my figure 2a, I would make it asymptotic to the  $x$ -axis, and thus keep the marginal cost above zero, which is the sort of thing to be found sometimes in practice.

Where Mr Griffiths gets the idea he mentions in the second paragraph of his letter I am at a loss to understand. I could name at least one important case where the marginal cost showed a decline with increasing output, and where there was no evidence of an independent impulse.

On the matter of the U-shaped cost curve, I cannot agree that where the total cost curve curls upward until the marginal cost is equal to the unit cost, the graph of the latter would be U-shaped. It would be more like a smooth-angled 'L'. But even if it did tend to turn up on the right, it would in practice be arrested long before the graph became U-shaped like the graph which academic economists seem fond of drawing.

In his first letter, Mr Griffiths accused me of having an obsession. Let me return the compliment by suggesting that he is obsessed with the cost position when a firm produces at the rate of one unit of output in unit time. Marginal costing has no meaning in such a case. Articles that are turned out at such a rate are usually tailor-made, such, for instance, as ships, large turbo-alternators, water-tube boilers and newspaper printing-machines.

I am sure it would help Mr Griffiths to understand marginal costing if he contrived to get his mathematics right. He has yet to explain how in his first letter he derived  $y=x^3$  from  $y=x$ . Now he derives  $T=kzq^{2-1}$  from  $T=kq^2$ ; and this too needs explaining.

I would like to conclude this comment by pointing out to Mr Griffiths that my article was concerned with the *practice* of marginal costing. Such purely theoretical situations as negative marginal costs, U-shaped cost curves, and output rates of one unit in unit time lie outside my self-imposed terms of reference.]

### Place of the Book-keeper

SIR, - I was most surprised at the slighting reference contained in the letter from Mr J. A. Redman, F.C.A. (February 22nd issue) to 'the barrier . . . which helps to preserve the image of the accountant as a mere book-keeper'. One might just as unreasonably suggest that section 161 helps to preserve the image of the accountant as a mere auditor.

The complexity of modern business life calls for interdependence between all levels and the book-keeper of to-day who has qualified by passing the examinations appropriate to his calling does, I venture to suggest, deserve somewhat more consideration than dismissal in such peremptory terms.

Yours faithfully,

D. W. BRADLEY, F.C.C.S.,

Secretary,

THE INSTITUTE OF BOOK-KEEPERS.

London N16.

# Courses and Conferences in 1964

THE principal conference in 1964 – an international one – will be the Congress to be held in Vienna from August 31st to September 3rd by the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.). The three Chartered Institutes and The Association of Certified and Corporate Accountants are now members of U.E.C. and it is expected that a strong contingent from the United Kingdom will be present in Vienna.

Details of the Congress and of the wide programme of courses and conferences to be held in the United Kingdom during 1964 are set out below.

## April 3rd–5th

THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

### *Week-end School at Cambridge*

A WEEK-END school is to be held by The Association of Certified and Corporate Accountants from April 3rd–5th at St John's College, Cambridge. The address of welcome will be given by the President of the Association, Mr V. R. Chennell, F.A.C.C.A.

Three papers will be presented as follows:

'Methods of raising finance', by Mr J. D. C. Dick, F.A.C.C.A., assistant general manager, The Royal Bank of Scotland Ltd.

'The criteria to be observed in judging a capital project', by Mr G. H. Lawson, M.A.(ECON.), A.A.C.C.A., lecturer in accounting, University of Hull.

'The problems concerned in development, mergers and take-overs', by Mr J. P. Landau, F.A.C.C.A., a member of the Council of the Association and senior partner in the firm of Landau, Morley & Scott, Certified Accountants, of London.

Following each paper there will be group discussions, and at later sessions the authors of the papers, assisted by a panel, will answer questions submitted by group leaders. The guest night dinner will be held in Hall on the Saturday evening of the school.

## April 3rd–5th

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

### *Week-end Residential Course at Oxford*

A WEEK-END residential course for members of The Institute of Cost and Works Accountants is to be held at Oriel College, Oxford, from April 3rd to 5th and will have as its theme 'Factors affecting management decisions'.

The course will be opened on the Friday evening by Mr S. W. Turner, A.C.W.A., A.A.C.C.A., chairman of the Institute's No. 1 Area Co-ordinating Committee, and Dr J. M. S. Risk, B.COM., C.A., F.C.W.A., F.C.I.S., will speak on 'Which are the important decisions?' On Saturday evening, Mr J. P. Wilson, F.C.W.A., F.C.I.S., a Vice-President of the Institute, will address delegates on 'Money isn't everything'. The subjects and speakers at the four main technical sessions will be:

'The implications of taxation on management decisions', by Mr M. P. Southall, F.C.A., F.C.W.A., chief accountant, The Plessey Co Ltd.

'Marginal and absorption costs in relation to management decisions', by Mr J. H. Whicheloe, F.C.W.A., A.A.C.C.A.,

a member of the Council of the Institute and chief cost accountant, Henry Hope & Sons Ltd, and Mr E. B. Bishop, F.C.W.A., group cost accountant, Castrol Ltd.

'Assessment of profitability of capital expenditure projects', by Mr J. A. Scott, C.A., F.C.W.A., chief financial executive, Hayeshaw Ltd.

'Factors affecting fixing of selling prices', by Mr G. R. Coe, F.C.W.A., financial director, Goodman's Industries Ltd.

## April 9th–11th

THE LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

### *Taxation Conference*

A RESIDENTIAL conference on taxation arranged by the committee of The London and District Society of Chartered Accountants and under the chairmanship of Mr J. A. Allen, F.C.A., is to be held at New College, Oxford, from April 9th to 11th.

The conference will be opened by Sir William Carrington, F.C.A., a Past President of The Institute of Chartered Accountants in England and Wales. There will be group discussions and the exchange of views and experience among members. Two overseas guests from the Netherlands and Finnish Institutes will attend the conference at the invitation of the Society. Subjects and addresses will be as follows:

'Estate duty – valuation of minority interests', by Mr T. A. Hamilton Baynes, M.A., F.C.A.

'Domicile and residence of individuals and companies', by Mr J. D. Wells, F.C.A.

'Administration of estates', by Mr J. S. Heaton, F.C.A.

'Practical tax reforms', by Professor G. S. A. Wheatcroft, M.A., J.P., F.T.I.I., F.B.I.M.

'Taxation of income from property', by Mr K. H. Oates, F.C.A.

'Brains trust'; Chairman: Mr J. S. Heaton, F.C.A.

## April 9th–12th

THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

### *Computer Conference at Cambridge*

A RESIDENTIAL conference which will have as its theme 'Computers in local government' is to be held by The Institute of Municipal Treasurers and Accountants at Queens' College, Cambridge, from April 9th–12th. The object of the conference is to bring together representatives of both local government and central government departments to discuss and exchange views on the role of computers in local government.

## April 18th

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

### *Scottish Regional Cost Conference*

A ACCOUNTING for expansion' will be the theme of a Scottish Regional Cost Conference to be held on April 18th by The Institute of Cost and Works Accountants at the Grosvenor Restaurant, Glasgow, when the subjects and speakers will be:

'Providing accounting information for expansion', by Mr J. B. C. Miller-Bakewell, M.A., A.C.W.A., Norcross and Partners Ltd.

'Using accounting information in an expanding company', by Mr David A. Thomson, B.Sc., director, Belmo's Electrical Engineers Ltd.



**April 25th****THE INSTITUTE OF COST AND WORKS ACCOUNTANTS**  
*North Regional Conference*

**A** PAPER on operational research techniques giving a case history showing practical applications, is to be given by Mr Stafford Beer and Mr W. G. Jones, F.C.W.A., at a North Regional Cost Conference of The Institute of Cost and Works Accountants to be held at the Savoy Hotel, Blackpool, on April 25th.

**May 6th****THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES***Annual Meeting and Business Sessions*

**A**S announced in *The Accountant* of February 8th, the eighty-third annual meeting of The Institute of Chartered Accountants in England and Wales is to be held on May 6th, in the Assembly Hall, Church House, Westminster, and will be followed by three business sessions similar to those which followed last year's annual meeting.

Arranged in the form of study groups the topics selected for discussion are:

'Changes in the basis of taxation of income from property', the discussion being opened by Mr D. O. Bailey, F.C.A., Mr Lawrence H. Clark, F.C.A., and Mr G. H. Vieler, F.C.A., with the President of the Institute in the chair.

'The role of chartered accountants in management advisory service', the discussion being opened by Mr L. W. Robson, F.C.A., F.C.W.A., Mr S. Dixon, M.A., F.C.A., and Mr A. B. Snow, F.C.A., with the Vice-President of the Institute in the chair.

'Professional ethics for members in commerce and industry', the discussion being opened by Mr E. Hay Davison, F.C.A., Mr P. D. Irons, B.COM., F.C.A., F.C.W.A., and Mr C. Croxton-Smith, M.A., LL.B., F.C.A., with Mr W. W. Fea, B.A., F.C.A., in the chair.

**May 21st-28th****THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES***Electronic Data Processing Courses*

**F**OLLOWING the successful experimental pilot course on 'Electronic data processing for the accountant and the auditor', organized by The Institute of Chartered Accountants in England and Wales at Hastings early last month and reported in *The Accountant* of February 8th, the Council of the Institute has now arranged a series of three consecutive E.D.P. residential courses for members of the Institute during the period May 21st to 28th. The courses will be held at the Grand Hotel, Brighton, under the directorship of Mr D. W. Hooper, M.A., F.C.A., of the National Coal Board, and will deal with elementary, intermediate and advanced computer applications.

The programme is at present being finalized and it is anticipated that details will be sent to members of the Institute next week.

**June 4th-5th****THE INSTITUTE OF COST AND WORKS ACCOUNTANTS***National Cost Conference and Annual General Meeting*

**T**HE thirty-fifth National Cost Conference of The Institute of Cost and Works Accountants is to be held on June 4th and 5th at the Grand Central Hotel,

Belfast. It will be followed by the annual general meeting of the Institute on June 6th.

Two papers will be presented as follows:

'Management accounting - the relationship with modern decision techniques', by Mr P. J. W. Ambler, M.A., A.C.W.A.

'Management accounting and exports', by Mr E. E. Rushton, F.C.W.A.

The guest speaker will be Dr Denis Rebbeck, C.B.E., D.L., J.P., managing director of Harland and Wolff Ltd, who will address the conference on Thursday afternoon on 'The British shipbuilding industry, with particular reference to Belfast shipyards'. In the evening there is to be a civic reception given by the Lord Mayor and Corporation of Belfast for members and their guests in the City Hall. The Institute's annual banquet will take place on Friday evening.

**June 10th-12th****THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS***Annual Meeting and Conference*

**T**HE annual meeting and conference of The Institute of Municipal Treasurers and Accountants will be held from June 10th-12th at the Winter Gardens, Bournemouth.

Following the official opening of the conference, Part A of the annual report will be submitted by the President, Mr G. C. Jones, F.C.A., F.I.M.T.A., who will also comment on current problems. The conference, which is to be addressed by Mr Reginald Maudling, M.P., Chancellor of the Exchequer, will comprise three business sessions as follows:

'Traffic in towns - some financial implications', by Professor Colin Buchanan.

'Financial implications of local government reorganization', by Mr R. G. Morgan, B.COM., F.I.M.T.A., Borough Treasurer of Brighton.

'The independence of the treasurer', by Mr G. C. Jones, F.C.A., F.I.M.T.A., President of the Institute.

The social programme will include the annual dinner and dance to be held at the Winter Gardens on Wednesday evening.

**July 9th-14th****THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES***Summer Course at Oxford*

**T**HE first of the two summer courses of The Institute of Chartered Accountants in England and Wales will take place at Christ Church and Oriol College, Oxford, from July 9th-14th (the course at Cambridge is from September 9th-13th). The subjects and speakers will be:

'The role of the accountant in management consultancy - practical problems today and tomorrow's developments', by Mr L. W. Shaw, B.SC., F.C.A.

'The changing pattern of auditing with particular reference to private companies', by Mr G. N. Hunter, J.P., F.C.A.

'Accounting information - an essential aid to efficiency in the medium-sized business', by Mr R. Edwards, F.C.A.

On Sunday, July 9th, there will be informal talks by Sir Robert Shone, C.B.E., director-general of the National Economic Development Council, and by Mr

J. Hopkins, of the National Institute of Industrial Psychology.

### August 31st–September 3rd

UNION EUROPÉENNE DES EXPERTS COMPTABLES  
ECONOMIQUES ET FINANCIERS (U.E.C.)

#### *Congress in Vienna*

**A**S announced in *The Accountant* of February 22nd, the Congress of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.) to be held in Vienna from August 31st–September 3rd, will have as its theme the contribution of European accountants to the development of the European economy. The three subjects chosen for consideration are:

'Budgetary control as an instrument in the management of business'.

'Possibility, usefulness and purpose of a standardized European plan of accounts'.

'The presentation of annual accounts of business, including groups of companies'.

The Congress hosts will be the Austrian accountancy organization, Kammer der Wirtschaftstreuhänder, and the Austrian Federal President, Dr Schärff, is to be Patron of the Congress.

### September 9th–13th

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN  
ENGLAND AND WALES

#### *Summer Course at Cambridge*

**T**HE Cambridge summer course of The Institute of Chartered Accountants in England and Wales will be held at Emmanuel College, from September 9th–13th. The subjects and speakers at the course will be:

'Estate duty planning', by Mr K. G. M. Harding, B.A., F.C.A.

'An investor's view of company accounts', by Mr D. Napper, F.C.A.

'O. & M. for the smaller client', by Mr J. G. Simpkins, F.C.A.

Group discussions will follow each paper, and the programme will provide for recreational and social activities.

### September 11th–15th

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF  
SCOTLAND

#### *Twelfth Summer School at St Andrews*

**T**HE twelfth summer school of The Institute of Chartered Accountants of Scotland will be held at the University of St Andrews from September 11th–15th.

Three papers will be presented as follows:

'Hire-purchase finance', by Mr John Patterson, M.A., LL.B., C.A., director, North Central Finance Co Ltd.

'Some aspects of tax planning', by Mr T. D. Lynch, C.A., partner in the firm of Brown, Fleming & Murray, Chartered Accountants, of Glasgow.

'Spotting a company's weak points', by Professor R. W. Revans, B.Sc., M.I.MIN.E., of The Manchester College of Science and Technology.

In addition, there is to be a lecture on the architectural history of St Andrews, by Mr Hew Lorimer, R.S.A., and a debate 'The School is of the opinion that the accountant has his head firmly in the sand'. Both

these items in the programme will take place on the first day of the School.

### September 25th–29th

THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

#### *Summer Course at Cambridge*

**T**HE fifteenth residential summer school of The Institute of Cost and Works Accountants will take place at St Catherine's College, Cambridge, from September 25th to 29th. As an experiment, this year's school is being held during a week-end, with the object of making it possible for more senior members to attend.

Subjects and speakers include:

'The establishment of key factors for control purposes', by Mr J. F. Body, F.C.A., F.C.W.A., group chief accountant, Newton Chambers & Co Ltd.

'Case study on marginal costing', by Mr D. C. Edis, F.C.W.A., Birmid Industries Ltd.

'Computers: the challenge to industrial accountants', by Mr L. W. Rice, B.Sc.(ECON.), F.C.W.A., F.C.I.S., A.M.B.I.M., management accountant, Esso Petroleum Ltd.

### October 1st

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN  
IRELAND

#### *Dinner and Residential Conference*

**A**N Institute dinner is to be held by The Institute of Chartered Accountants in Ireland on October 1st in Belfast, and will be followed by the Institute's residential conference which will take place at New-castle, Co. Down. Further details are to be announced later.

### October 14th–16th

THE INSTITUTE OF INTERNAL AUDITORS

#### *Fifth West European Regional Conference*

**'B**REAKING new ground' will be the theme of The Institute of Internal Auditors' fifth West European Regional Conference which is to be held from October 14th–16th at the Abbey Hotel, Great Malvern, Worcestershire. Sponsored by the Institute's Birmingham Chapter, speakers at the conference will include Mr S. V. Bishop, M.C., F.C.A., finance director, F. Perkins Ltd, and Mr R. Davis, F.I.M.T.A., chief accountant, the Gas Council.

### October 23rd–26th

#### *National Taxation Conference*

**T**HE fourteenth National Taxation Conference is to be held in Torquay from October 23rd–26th under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*.

The provisional programme for the conference includes papers on 'Valuation of shares in private companies', by Mr T. A. Hamilton Baynes, M.A., F.C.A.; 'Recent legislation', by Mr J. Christie, A.C.A.; 'Double taxation conventions', by Mr E. Bramley, a senior principal inspector of taxes; 'Economic aspects of taxation', by Professor A. R. Prest, Christ's College, Cambridge; and 'Allowances for capital expenditure on fixed and wasting assets', by Mr Thomas D. Lynch, C.A.

Social functions will include a civic reception and dance, a reception and cocktail party given by the Editor of *Taxation*, a golf competition and a ladies' programme.

# Planning for Profitability

## Top Industrialist's View at Cardiff Dinner

Chartered accountants from all over South Wales were recently warned by one of the 'top brains' of I.C.I. that it was no longer advisable for business concerns to rely on the seizing of opportunities as they came along, but that they must plan for their future development.

Mr P. T. Menzies, M.A., financial director of I.C.I., told the annual dinner of the South Wales and Monmouthshire Society of Chartered Accountants in Cardiff on Thursday of last week that at the present time, industry in Britain and throughout the world was in a restless mood.

'It is now occupied to a much greater extent than ever before with the problems of management. There is, in my opinion, a great deal more need for emphasis on the useful employment of resources of capital, of employment, of management, of experience, etc. To put it bluntly, we must achieve a higher profitability of all resources.'

'There has been a tendency in the period of time in which most of us have grown up to place importance on technical efficiency. In my time we have felt that if we all used our own particular ability then it would follow that the whole operation would be successful, but that is changing. What we need now is team organization. We need an organization which can plan its own future for profitability and see that those plans are carried through. . . .

'The company must be organized so that problems go quickly to the right man, and that, quite frankly, is not the man at the top. The right man is the man closest to the point of operation. Technical problems should go to the technical staff, commercial problems to the commercial staff and so on. All this is the prerogative of the accountant; but management has developed rapidly in my experience, and there are in industry today many others than accountants who are capable of handling just these problems.'

### Challenge of the Universities

Referring to plans to establish the diploma for management accounting, Mr Menzies said:

'You are going in the right direction, but my complaint is that you are going too slowly and too cautiously.'

'Today industry is recruiting from the best of the university graduates. I am not thinking in this connection of scientists - I am thinking of graduates, whatever their background - and it is my personal experience that we are now recruiting from these sources men with great natural ability and training to deal with these problems.'

'If I had my way I would make your diploma a necessary part of the qualifications for any chartered accountant. I would go further. I would insist on three years' training at university, followed by two or three years' training in a professional office. It is only in that way that you will meet the standards which graduates and people in other fields of activity are setting today.'

'I have had an opportunity in the last two or three years of examining the organization of some of the American companies, and one of the remarkable things is that their financial organizations are very thinly staffed with C.P.A.s; when one looks at the key financial staff one finds that almost without exception they are graduates of schools of business management.'

'Now these schools are springing up in this country. Manchester University is doing some good work, and there is a movement afoot in London. Wales has a reputation for progress, a reputation for a radical outlook. You have a good

university, an enterprising university; I feel that it is up to you in your Society to make your requirements clearly known and understood, and I do hope that you can make progress.'

### Importance of Management Accounting

The President of the Institute, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., said that the Council was trying to emphasize the importance which management accounting played in helping industry achieve greater productivity and efficiency.

'Some of our members already specialize, but we feel that many more members, particularly in the medium and smaller firms, have a tremendous field open to them in this particular sphere.'

'As an incentive to our members to study in this field we are introducing a new examination, a post-graduate examination, which we hope our younger members will be able to take two years after qualifying.'

As the Council felt it was not possible to work this in during the last year of articles, they had decided to do as other professions such as medicine did, and have their students trained on a broad basis, before they specialized in management accounting. Said Mr Winter:

'We suggest, if you are really going in for management accounting in a specialized way, you start with this new examination. We hope, too, that many more who are going to continue on the other side, in practice, will take it because I think it is the coming thing.'

Referring to the Joint Diploma, Mr Winter said this was an examination of a very high level, involving the writing of a thesis which could only be done with very great experience in industry. The examination was an incentive largely to the top level accountants in industry to improve their position and acquire a special status.

### Impact of Computers

Speaking about the impact of computers, Mr Winter said:

'We are now entering a world of mechanization and computers, and we feel that we should at least learn the characteristics of these new machines. If we do not specialize we will not be able to advise our clients and management of the suitability of their accounting systems and also what they may expect to get out of their computers.'

Mr Winter said that following the success of the special course on computers recently held at Hastings, a course for members would be run at Brighton in May, and it was hoped that this would be followed by a series of such courses in the next few years. The President emphasized:

'We have got to see that our main training techniques are related to the scientific development that is taking place in all spheres of industry, so that accountants can get the special information which is readily available.'

Mr K. H. Robinson, F.C.A., President of the South Wales and Monmouthshire Society, proposed the toast of 'The Guests' from the chair and Mr Geoffrey Howe, a past chairman of the Bow Group, responded.

## FOR STUDENTS

## Income Tax Allowances

Housekeeper Relief, Daughter's Services Allowance and  
Blind Person's Relief

## Housekeeper Relief £75

HOUSEKEEPER relief on £75 may be claimed by various categories of taxpayers in respect of a female person who is either a relative of the claimant or is employed by the claimant. In all cases the housekeeper must be resident with the claimant.

In certain cases the qualification is that the woman in respect of whom the claim is made is required to act as a housekeeper (i.e. run the household, including supervising expenditure, ordering and paying for goods, etc), and in others that she is required to look after children for whom the claimant is entitled to child allowance. In no case can a claimant obtain more than one housekeeper allowance. Furthermore, a widower cannot claim housekeeper relief as well as married personal allowance in the same year, although a widow can receive the housekeeper relief in the year in which her husband dies.

The categories of taxpayer entitled to claim the relief (and the respective qualifications) may be summarized as at the foot of this page.

In each case, no one else must be drawing housekeeper, dependent relative or daughter's services allowance in respect of the housekeeper.

The reason why the relief is dealt with in such a piecemeal fashion in the Income Tax Act is that originally the allowance was very restricted, but from time to time the provisions have been added to in subsequent legislation.

In accordance with the decision in *Brown v. Adamson* (16 A.T.C. 90; 21 T.C. 186), the Inland Revenue always take the view that a housekeeper cannot be regarded as resident, unless she sleeps at the claimant's residence. Against this it was for many years argued that hardship arose where a taxpayer had too small a house to be able to offer a housekeeper a bedroom and so had to have a daily housekeeper but no housekeeper allowance. This hardship was alleviated in the Finance Act, 1960.

## Example 1

Mr B. A. D. Luck is a married man earning a salary of £2,000 a year. His wife, who had no income, died on June 5th, 1963. On August 1st, 1963, Mr Luck's unmarried sister came to live with him and keep house. The 1963-64 income tax computation is:

	£	£	£	s	d
Salary .. .. .	2,000				
Less: Earned income relief ..	445				
Personal allowance ..	320				
		765			
		1,235			
Chargeable at reduced rates ..	300		80	0	
At standard rate .. .. .	£935	362	6	3	
		£442	6	3	

Note. — Housekeeper relief cannot be claimed for 1963-64 as Mr Luck is entitled to the married personal allowance for that year.

## Housekeeper Relief or Additional Child Relief £40

The Finance Act, 1960, introduced a new (unnamed) relief of £40 which can be claimed by anyone who, but for the absence of a resident housekeeper, would be entitled to the housekeeper relief under section 218, Income Tax Act, 1952.

In other words, any taxpayer (including a widow or widower) who is entitled to child allowance can claim the £40 relief, but a married man can claim only if his wife is totally incapacitated, and a single woman can claim only if she is incapacitated or working full-time in employment or business.

This relief applies where there is no housekeeper at all, just as much as where there is a daily housekeeper.

Income Tax Act, 1952	Claimant	Housekeeper's Duties	Qualifications of Housekeeper	Notes
Section 214	Widow or widower.	To keep house or take charge of children.	(1) Resident female relative (not necessarily maintained by the claimant) or (2) resident female employee.	Married personal allowance cannot also be claimed by married relative's husband.
Section 215	Unmarried taxpayer of either sex.	To take charge of brother or sister of claimant.	Resident female relative maintained by the claimant.	Married personal allowance cannot also be claimed by married relative's husband.
Section 218	Any taxpayer, but a married man can claim only if his wife is totally incapacitated and a single woman can claim only if she is incapacitated or in full-time employment or business.	To take charge of children.	Resident female person maintained or employed by the claimant.	

**Example 2**

Mr and Mrs N. O. Bond were divorced in 1961 and Mrs Bond was given the custody of their child, aged 6. During 1962-63 Mrs Bond received alimony of £364 (paid gross as a 'small maintenance payment') and taxed dividends of £100 (gross).

On April 5th, 1963, Mrs Bond started a millinery business in which she was engaged full-time. Her Case I assessment for 1963-64 was on £100 profits less £55 capital allowances; no tax was demanded under that assessment. The alimony and dividends remained unchanged for 1963-64.

The income tax computations are:  
1962-63

	£	s	d
Alimony .. ..	364		
Taxed dividends ..	100		
	<u>464</u>		
Less: Margin .. ..	64		
	<u>400</u>		
Less:			
Small income relief	£		
(2/9ths) .. ..	89		
Personal allowance ..	140		
Child allowance ..	100		
	<u>329</u>		
	<u>£71</u>		

Chargeable: £60 at 1s 9d	£	s	d
£11 at 4s 3d	5	5	0
Add half of £64	32	0	0
	<u>39</u>	<u>11</u>	<u>0</u>

Income tax payable ..		<u>16</u>	<u>9</u>
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1963-64	£	£	£	s	d
Case I .. ..	100				
Less: Capital allowances	55				

Alimony .. ..	364		
Taxed dividends ..	100		
	<u>464</u>		

Less: Margin .. ..	59		
	<u>59</u>		

Less: Small income relief	£		
2/9ths .. ..	100		
Personal allowance	200		
Child allowance	115		
Additional child relief .. ..	40		
	<u>455</u>		

	<u>Nil</u>		
Income tax thereon	Nil		
Add: half of £59	29	10	0
	<u>29</u>	<u>10</u>	<u>0</u>

Repayment due .. ..		<u>£9</u>	<u>5</u>	<u>0</u>
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**Daughter's Services Allowance**

An individual who, by reason of old age or infirmity, is compelled to depend upon the services of a daughter, resident with and maintained by him or her, is entitled to an allowance of £40.

The Inland Revenue will not allow a taxpayer to claim this allowance and housekeeper relief in respect

of the same daughter in the same year (although there appears to be no statutory prohibition).

In practice this allowance is seldom claimed for it can usually be substantiated that the daughter is in fact acting as housekeeper, so that the £75 housekeeper allowance is claimable instead.

**Blind Person's Relief**

This relief was introduced by the Finance Act, 1962. It may be claimed by a single blind person or by a married couple of whom at least one is blind.

For many years blind persons have been entitled to tax-free disability payments on account of their blindness and the amount of the new tax relief is:

- (1) for a single person or a married couple only one of whom is blind - £100 less 7/9ths of the disability payment;
- (2) for a married couple both of whom are blind - £200 less 7/9ths of the total disability payments.

The Finance Act, 1962, specifically prohibits any claim to both blind person's relief and daughter's services allowance in the same year. In deciding which of the two allowances to claim it is therefore a question of calculating the amount of the blind person's relief to see whether this is more or less than £40.

**Example 3**

Mr and Mrs I. Less are both blind; they receive annual tax-free disability payments of £125 and £100 respectively. In addition, Mr Less received taxed dividends of £1,000 (gross) during 1963-64. Mr and Mrs Less are both under 65 years of age and are compelled to depend upon the services of their daughter whom they maintain.

If the daughter acts as a housekeeper the 1963-64 computation is:

Taxed dividends .. ..	£	£	£	s
	1,000			
Less: Personal allowance ..	320			
Blind persons relief (£200 - 7/9ths × £225) ..	25			
Housekeeper relief .. ..	75			
	<u>420</u>			

	<u>£580</u>		
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Chargeable at reduced rates 300	£	s
" at standard rate 280	80	0
	<u>108</u>	<u>10</u>
	<u>188</u>	<u>10</u>

Repayment due .. ..	<u>£199</u>	<u>0</u>
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In the less likely event of the daughter not acting as a housekeeper the computation would be:

Taxed dividends .. ..	£	£	£	s
	1,000			
Less: Personal allowance ..	320			
Daughter's services allowance (being greater than blind person's relief) .. ..	40			
	<u>360</u>			

	<u>£640</u>		
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Chargeable at reduced rates 300	£	s
" at standard rate 340	80	0
	<u>131</u>	<u>15</u>
	<u>211</u>	<u>15</u>

Repayment due .. ..	<u>£175</u>	<u>15</u>
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# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS E. J. FAWN & Co, Chartered Accountants, of 96 Micklegate, York, announce with regret the death on February 20th of Mr ERNEST JAMES FAWN, F.C.A. The practice will be continued under the same style and at the same address by the remaining partner, Mr A. E. J. FELL, F.C.A.

Messrs HOLT MAYOU & Co, Certified Accountants, announce that their address is now 58 High Street, Sutton, Surrey.

Messrs MALCOLM & BOOTH, Chartered Accountants, of 61 Barth Road, P.O. Box 450, Kano, Northern Nigeria, announce that they are now practising in association with Messrs PANNELL FITZPATRICK GRAHAM & CREWDSON and that the name of the firm has been changed to PANNELL MALCOLM & BOOTH, with Mr CHARLES E. BOOTH, F.C.A., and Mr PAUL W. HAYLEY, F.C.A., as resident partners. Messrs PANNELL FITZPATRICK GRAHAM & CREWDSON, with Mr PAUL W. HAYLEY, F.C.A., as resident partner, are continuing to carry on their practice at Sword Brand Building, Hadejia Road, P.O. Box 787, Kano and at Lagos, Kaduna and Zaria in Nigeria.

## Appointments

Mr J. L. G. Bannerman, C.A., has been appointed deputy chairman of Tudor & Co (Insurance) Ltd.

Mr J. W. Cairns, F.C.A., has been appointed group financial controller, and Mr R. W. Davies, M.A., A.C.A., personal assistant to the managing director, of John Wallace & Sons Ltd.

Mr Charles E. M. Hardie, O.B.E., F.C.A., has been appointed to the board of B.O.A.C.-Cunard.

Mr Clifford Bowman, D.F.C., F.C.A., has been appointed chairman of Birtwistle & Leigh Ltd.

Mr R. O. A. Keel, F.C.A., has been appointed chairman of Bancroft & Co (Publishers) Ltd.

Mr H. J. Smethurst, F.C.A., has been appointed a director of Samuel Courtauld & Co Ltd.

Mr W. A. Stannett, A.A.C.C.A., F.C.C.S., has been appointed a director of Metco Ltd.

## REPORT ON THE MONOPOLIES AND RESTRICTIVE PRACTICES ACTS

The Board of Trade's annual report on the operation of the Monopolies and Restrictive Practices Acts, 1948 and 1953, was published last week, H.M.S.O., price 1s (by post 1s 3d). The report includes a summary of the work and expenditure of the Monopolies Commission during 1963.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Taxation and Research Committee

The 132nd meeting of the Taxation and Research Committee was held at the Institute on Thursday, February 20th, at 12 noon, continuing in the afternoon.

*Present:* Mr H. C. Shaw (in the chair); Messrs F. W. Allaway, G. L. Aspell, T.D., D. G. Bee, K. A. Buxton, J. Cartner, K. P. Chapman, D.S.C., L. H. Clark, P. G. Craven, T.D., S. M. Duncan, S. Edgcumbe, W. F. Edwards, N. Cassleton Elliott, A. R. English, C. R. P.

Goodwin, J. S. F., Hill K. J. Hilton, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., S. Kitchen, C. Yates Lloyd, E. D. London, J. W. Margetts, A. G. Martin, B. A. Maynard, G. M. Metcalf, D. S. Morpeth, F. L. Moulding, E. J. Newman, R. D. Pearce, J. Perfect, D. W. Pursglove, D. W. Robertson, H. Robinson, H. G. Sergeant, W. Shuttleworth, H. G. Smith, C. C. Taylor, L. R. Turner, J. A. P. Whinney and S. P. Wilkins (forty-two members) with Mr J. M. Renshall, acting Secretary to the Committee, and Mr G. H. Slator, Assistant Secretary to the Committee. Mr B. Manning attended by invitation.

## Subcommittees

Reports were received in connection with thirty-four matters.

## Future Meetings

Future meetings in 1964 have been arranged for:

Thursday, April 9th, 1964.  
" June 11th, 1964.  
" September 17th, 1964.  
" October 22nd, 1964.  
" December 17th, 1964.

## MANAGEMENT ACCOUNTING CONFERENCE

The fifth annual management accounting conference to be organized by the School of Accountancy Studies at Slough College, Buckinghamshire, was held on February 27th, and was attended by nearly fifty accountants in industry and company secretaries.

The conference was opened by the Chairman, Mr I. C. Dick, C.A., director, High Duty Alloys Ltd, and three papers were presented as follows: 'Management accounting', by Mr C. A. Perry, F.A.C.C.A., supervising consultant, Associated Industrial Consultants Ltd; 'Industrial relations - some management attitudes', by Mr M. J. Colbert, B.A., DIP.ED., education superintendent, British European Airways; and 'Taxation in relation to management accounting', by Mr A. W. Nelson, A.A.C.C.A., A.T.I.I. All three papers were followed by discussion.

This annual conference is part of the regular programme of courses of the School of Accountancy Studies at Slough College, organized by the director of Studies, Mr E. C. D. Evans, B.SC.(ECON.), F.A.C.C.A.

## OPERATIONAL RESEARCH SOCIETY

### Inventory Control Study Group

Operational research aims at the understanding of behaviour patterns of organizations and systems by the appropriate use of observation, controlled experimentation and theoretical analysis, in order to predict the operational result of changes in operating rules or equipment and thus better to control operations and improve their results.

Inventory absorbs a high proportion of industrial working capital, often without yielding adequate benefits in terms of prompt and punctual deliveries. The problem of inventory control, involving as it does the conflicting aims of high customer service and low inventory, is a typical operational research problem.

Effective operational research is a joint effort by people of many different trainings; applied to inventory

control it needs the experience of accountants, production managers, marketing managers and others responsible for managerial control and direction.

The Inventory Control Study Group of the Operational Research Society provides a forum for informal discussion and exchange of experience of inventory control problems. Any accountants wishing to attend particular meetings will be very welcome. They should contact the Secretary, Mr G. H. Mitchell, c/o Operational Research Society, 64 Cannon Street, London EC4.

The next meeting of the group is at 2.30 p.m. on Friday, March 13th, at Kodak House, Kingsway, London WC2, when a member will describe his experience of inventory control of a large range of finished goods and discussion will follow.

#### CITY DISCUSSION GROUP

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday next, March 11th, at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m. The speaker will be Mr S. J. Berwin and his subject 'Relationship of solicitors and accountants in practice and training'.

#### BROMLEY AND SOUTH-EAST LONDON DISCUSSION GROUP

The next meeting of the Bromley and South-east London Chartered Accountants' Discussion Group will be held on Thursday, March 12th, at 8 p.m. at The Greyhound Hotel, High Street, Bromley, Kent, when Mr D. H. Kirk, F.C.A., will open a discussion on 'Training for the profession'. The discussion will extend to training for commercial, industrial and executive positions and specialism.

#### KENT AND SUSSEX CHARTERED ACCOUNTANT STUDENTS' SOCIETY

The 1964 annual general meeting of the Kent and Sussex Chartered Accountant Students' Society was held at the Royal Pavilion, Brighton, on February 22nd, when some thirty members attended. The President of the Society, Mr G. W. Davies, F.C.A., was in the chair and reported a year of continued progress, particularly in the Eastbourne and Kent areas of the Society.

The following officers were elected for the year 1964-65:

*President:* Mr G. W. Davies, F.C.A., Thornton Baker & Co, 2 Hyde Gardens, Eastbourne.

*Chairman:* Mr C. J. Allan, Nevill, Hovey, Gardner & Co, 43 Church Road, Hove.

*Vice-Chairman:* Mr G. M. B. Theaker, Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent.

*Hon. Secretary:* Mr T. T. Nash, F.C.A., 33 Lawrence Road, Hove.

*Hon. Asst Secretary:* Mr M. E. Ohly, Russell, Ohly & Co, 94 Church Road, Hove.

*Hon. Treasurer:* Mr C. Baker, Graves, Goddard & Horton-Stephens, 7 Pavilion Parade, Brighton.

*Branch Secretaries:*

*Eastbourne* Mr A. F. Cottrell, Cottrell, Robertson & Co, 35 Gildredge Road, Eastbourne

*Hastings* Mr G. M. Nathoo, Gibbons & Mitchell, 7 Wellington Square, Hastings

*Kent* Mr D. G. Shemming, Day, Smith & Hunter, Star House, Maidstone

*Liaison Officer with Senior Society:* Mr C. R. P. Goodwin, F.C.A., Baldwin & Son, 12 Marlborough Place, Brighton.

#### NORTH YORKSHIRE AND SOUTH DURHAM CHARTERED ACCOUNTANT STUDENTS' SOCIETY

At the annual general meeting of the North Yorkshire and South Durham Chartered Accountant Students' Society on February 12th, the following officers were elected for 1964-65:

*President:* Mr H. B. Kilvington, A.C.A.

*Vice-President:* Mr G. T. Watson, A.C.A.

*Hon. Secretary and Treasurer:* Mr O. L. Scargill, c/o Gildons & Hudson, 84 Borough Road, Middlesbrough.

#### THE INSTITUTE OF INTERNAL AUDITORS

##### London Chapter

The next meeting of the London Chapter of The Institute of Internal Auditors will be held on Wednesday, March 11th, at the Kingsley Hotel, Bloomsbury Way, London WC1, at 12.30 p.m., when Mr A. Battersby will speak on 'The work study school'.

Further particulars regarding the activities of the Chapter may be obtained from the local secretary, Mr E. B. Allibone, Bowaters Associated Industries Ltd, 87 King's Avenue, Clapham, London SW4.

##### Birmingham Chapter

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held on Thursday, March 12th, at The Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham, commencing at 6.30 p.m., when the Institute's European Vice-President, Mr E. N. Judge, F.C.W.A., A.I.M.T.A., of the South Eastern Electricity Board, will talk on 'Internal auditing in local government, hospitals and public boards'. The Chapter Secretary is Mr R. C. J. Lucas, West Midlands Gas Board, Wharf Lane, Solihull, Warwickshire.

#### MANAGEMENT ACCOUNTING COURSE

A one-day course entitled 'The classification and coding of accounts' is to be held in Manchester on March 19th. The course is intended for accountants, O. and M. officers, and others responsible for the design and operation of accounting systems and subjects included are 'principles of classification', 'advantages of good design', financial and cost accounts', 'variable and fixed expenses', and 'composite expense accounts'. Comprehensive notes will be issued on the subject of the course which will be presented by Dr James M. S. Risk, B.COM., PH.D., C.A., F.C.I.S., F.C.W.A., F.B.I.M. Further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

#### ECONOMIC CONDITIONS OVERSEAS

Three further booklets in the series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development have recently been issued containing comprehensive analyses of economic conditions in Denmark, Germany and Canada. The booklets are available from H.M. Stationery Office, price 5s each.

## New Legislation

*The date given indicates when an Act received the Royal Assent or when a Statutory Instrument became effective.*

### STATUTES

#### Chapter 57: Nigeria Republic Act, 1963

An Act to make provision as to the operation of the law in relation to Nigeria as a Republic within the Commonwealth.

*Price 3d net.*

*December 18th, 1963.*

#### Chapter 58: Expiring Laws Continuance Act, 1963

An Act to continue certain expiring laws.

*Price 5d net.*

*December 18th, 1963.*

#### Chapter 59: Electricity and Gas Act, 1963

An Act to increase the statutory limits imposed on the amounts outstanding in respect of borrowings by the

Electricity Council and Electricity Boards and the Gas Council and Area Gas Boards; to make further provision for Exchequer advances to certain of those bodies; to provide in certain cases for compensating members of those bodies for loss of office; and for purposes connected with the matters aforesaid.

*Price 8d net.*

*December 18th, 1963.*

#### Chapter 1: Consolidated Fund Act, 1964

An Act to apply a sum out of the Consolidated Fund to the service of the year ending on March 31st, 1964.

*Price 3d net.*

*February 6th, 1964.*

#### Chapter 2: Air Corporations Act, 1964

An Act to extend the powers of the British Overseas Airways Corporation and the British European Airways Corporation to borrow from the Minister of Aviation sums required by them for financing any accumulated deficits of theirs on revenue account.

*Price 3d net.*

*February 6th, 1964.*

# THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

## Results of Examinations held in December 1963

### FINAL EXAMINATION

#### SECTION I

*First Place and Prize:* Marchant, A. R., Isleworth

*Third Place:* Byrne, H. J., Dublin

*Fifth Place:* Essex, P., West Wickham

*Second Place:* O'Doherty, A. C. P., Dublin

*Fourth Place:* Baulch, L. J. H., Reading

*Sixth Place:* Brierley, C. W., Egham

*Seventh Place:* { Appleyard, J., Beeston, Leeds  
Kerr, G. A., Old Windsor

(in alphabetical order)

Adedokun, G. O., Leeds  
Adegboyega, G. A., London  
Adesoye, R. S., Leeds  
Adeyemo, A. A., Cardiff  
Adiyiah, E. O., London  
Advani, Miss M., London  
Akindolire, C. O., Leeds  
Akinmboni, Y. D., London  
Allardice, F. M., Farnborough  
Allison, R. J., Hoddesdon  
Amiebi, C. O., London  
Amoh, R. O., London  
Aroloye, P. A., London  
Awotwi, E. S., London  
Ayoola, J. O., London  
Azan, V. M., Wealdstone

Bakare, A. E., Glasgow  
Baker, A. P., Reading  
Balogun, J. A., London  
Bayley, A. P., Thornton Heath  
Begley, D. P. F., Southall  
Bell, D. L., London  
Bello, M., London  
Benjamin, G. J., London  
Bishop, D. H., High Wycombe  
Bishop, J. W., North Harrow  
Bolton, D. L., Liverpool  
Booth, C. P., Ipswich  
Bosah, L. C., Leeds  
Boulter, J. H., Birmingham  
Brickley, D., Walsall  
Bridges, M. J., London

Brown, G. O., Leeds  
Burrell, H. F., Nuneaton  
Callard, D. K., Exeter  
Capstick, E. H., Low Bentham  
Cargill, D. A., Birkenhead  
Carter, D. H., Croxley Green  
Childs, A. C. A., Reading  
Chin Cheong, V. A., Leeds  
Chrimes, B. R., Bamford  
Clift, R. K., Wolverhampton  
Colgan, C., Chaddesden  
Collier, P. J., Worthing  
Comney, E. A., London  
Confait, W. A., London  
Corr, J. F., Belfast  
Cowley, M. F., Diseworth  
Craft, K., Harlow  
Crombie, D. A., London  
Curtis, D. H., Arle

Dabernig, H., Caterham  
Dairo, T. F., London  
Daranijo, K. A., Leeds  
De Buc, A. A., Birstall  
Delany, P. J., London  
Devonish, W. R., London  
Dicks, S., London  
Donnelly, M., Hayes  
Doshi, V. H., London  
Drummond, W. A., Leeds  
Dwumah, J. F., Surbiton

Edem, O., Leeds  
Edwards, T. I., St Albans  
England, E., Barnsley  
Enock, M. P., Walton-on-Thames  
Evans, J. D., Liverpool  
Evans, R. W., Tring  
Eyre, D. J., London

Farrugia, H. J., London  
Ferdinand, St C. H., Leeds  
Flood, M. A., London  
Folami, M. A., London  
Forrester, P. G., Chatham  
Fox, A. F., Gillingham  
Fox, P. R., Coventry  
Fuller, R. A., Worthing

Gafai, H. S., Glasgow  
Gatie, T. W., Burton-on-Trent  
Gilks, V. F., Bexleyheath  
Grace, D. S., Sidcup  
Grain, R. C., Wolverhampton  
Green, E. F., Sidcup  
Green, P. W., Southall  
Griffin, J. J., London  
Guy, B. R., Luton

Hamilton, J. G., London  
Hammon, T. R., Wickford  
Harris, W. J. A., St Albans  
Harvey, R., Glasgow  
Haslam, R. A., Maidstone





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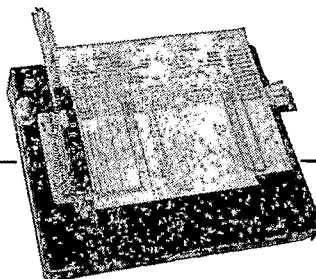
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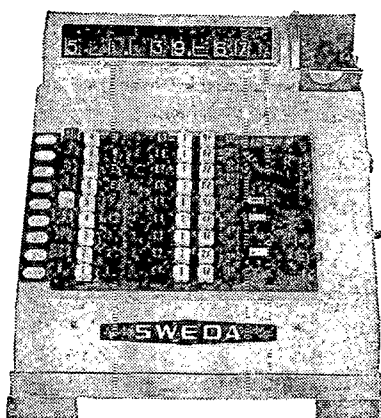
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Stone, M. W., Southampton  
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Stylianou, P. P., London  
Sutton, N. R., Chalfont St Giles

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Taylor, C. R., Barnehurst  
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Una, O. A., London  
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Wainwright, N. A., Bromborough  
Wales, F. E., Sutton  
Watson, D. I. C., Hutton  
Wells, J. H., London  
Wells, R., Redhill  
Wetere-Dhaala, S. F., London  
White, J. R., Leeds  
Wiehe, M. A. E., London  
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Wilkinson, J. E., Congleton  
William, B. A., London  
Williams, S. A. D., London  
Wills, J. S., Cheltenham  
Wilson, H., Keighley  
Wood, D. F., Hastings  
Wood, E., Halifax  
Wood, S. M., London  
Wooltorton, K. W., Stonehouse  
Wright, G. M., Liverpool  
Wylie, W. M., Glasgow

Yelwa, A. J., Glasgow  
Yesufu, T. A., London  
Youngs, H. F., London

### 349 Candidates failed

## FINAL EXAMINATION

### SECTION II

*First Place:* Creedon, C. I. A., Enfield

*Third Place:* Sweeney, P. L., Waterford

*Fifth Place:* Kelleher, M. S., Cork

*Second Place:* Busby, T. A., Hertford

*Fourth Place:* Turner, D. R. E., West Croydon

*Sixth Place:* Campbell, J. M., Worthing

*Seventh Place:* Davies, A. P., Walsall

### (in alphabetical order)

Abe, S. I., London  
Abimbola, A., Cardiff  
Adesida, S. O. A., London  
Arthur, S. M., London  
Asare, S. A., London  
Austin, T. T., Horsham  
Ayanfalu, O. A., London

Baker, W. G., London

Baldwin, M. G., Windermere  
Bennett, A. J. L., London  
Boachie, J. K., London  
Boyask, S., Ilford  
Broderick, J. M., Henley-on-Thames  
Brooks, E. A., Stoke Poges  
Brough, R., Headington  
Bursk, D., Rochdale  
Bush, J., Cardiff

Cleland, J. P., Newmilns  
Clifton, T. B., Bedford  
Coles, C. R., Coventry  
Comley, P. G., London  
Conway, J. Derby  
Cooke, P. L., London  
Cooper, A., Milcombe, near Banbury  
Cooper, P. F., London  
Craig, A. A., Ayr

Dawodu, J. M., Leeds  
Dean, C. L., Blackpool  
Dimmock, D. E. J., Leighton Buzzard  
Dobson, R. G., Chester-le-Street  
Donaghy, F. M., Belfast  
Doo, P. A., Hounslow  
Doody, M. D., Waterford  
Dunn, A. J., West Hagley  
Dunne, P. B. G., Dublin

Elliott, B. E. Windsor  
Ellis, R., South Hiendley  
Embleton, F. D., London  
Embury, C. S., Chapel-en-le-Frith

Farrugia, R. P., London  
Firkins, A. E., Great Barr  
Foulkes, R. E., Norwich  
Freeman, E. R., Egham

Gamble, S. W., London  
Garner, J. H., Liverpool  
Gemal, B. A., London  
Gibbons, J., Sedgley  
Gifford, E., Sevenoaks  
Gilkes, M. D., Stanmore  
Gompertz, H. I. P., Yengema, Sierra Leone  
Green, C., Norwich  
Green, D. C. A., London

Hadaway, B. G., London  
Hannon, M. J., Bray  
Harlow, D. E., Greenford  
Hastlow, M. T., Handsworth  
Hayford, W. J., London  
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Hicks, C. G., Penarth  
Hoff, M., Prestwich

Iwuchukwu, H. O., London

Karasinski, Z. T. M., London  
Kayode, E. A., London  
Keith, R. I., Northallerton  
Kinloch, L., Little Lever  
Knights, R. C., Leeds

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Livesey, A. P., Rusholme

Machin, J. L. J., Morden  
Mackay, M. S., London  
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Moss, D. A., Barnehurst

Nanton, G. S., London  
Nicholson, J. P., London

O'Connor, M. J., Lancing  
Okoo, G. O., Leeds  
Olashore, O., Leeds  
Olawepo, J. A., Glasgow  
Osborne, D. J., Richmond

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Plumb, R. L., London  
Prinsloo, D. S., London  
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Robinson, W., Ripon

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Shortland, W. J., Woodford Green  
Silvester, R. B., Grimsby  
Skidmore, C. J., Gornal Wood  
Smith, B. J., Kingstanding  
Smith, D. W., Taplow  
Smith, F., Blackburn  
Smith, J. G. S., Hawick  
Smith, K., Mansfield  
Spong, J. F., Aylesford  
Springett, M. E., Wickford  
Steele, R. J., Belfast  
Sutcliffe, R. A., Osbaldwick

Taliadoros, N., London  
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Thornton, G., Bingley  
Toal, W. T., Warrenpoint  
Tooth, W. T., Stafford  
Turner, R. F., Hornchurch

Uzoukwu, E. C. O., Leeds

Walsh, B. O. S., Coulsdon  
Ward, B. N., Feltham  
Ward, M. J., Desborough  
Watson, P. S., Slough  
Webb-Bourne, B. P., Kingswinford  
Weir, T. J., Lurgan  
Whent, G. H., Chelmsford  
White, M. J., London  
Wilkinson, T. C., Tipton  
Williams, J. A., London

Young, B. O., Southall

### 217 Candidates failed

## INTERMEDIATE EXAMINATION

### SECTION II

*First Place and Prize:* Lochan, F. N. C., London

*Second Place:* { Bamgbelu, V. A., London  
Edwards, B. D., Old Coulsdon  
Murray, S. T., London

*Fifth Place:* { Edwards, R. J., Reading  
Newton, D. A., Frizlington  
*Seventh Place:* Momoh, H. A., London

(in alphabetical order)

Abass, S. A., London  
Abbas Mohed, Elamin, Paris  
Abodunrin, I. B., London  
Adams, R. P., London  
Adamu, M. O., London  
Adefoye, J. F., London  
Adeleke, A. A., London  
Afanama Nkanta, L., Southsea  
Afolayan, F., Moseley  
Akin, H. V., London  
Akinleye-Martins, C. M. T., London  
Akinlolu, I. O., London  
Akwanmoa-Berkoh, F. K., Brighton  
Alapafuja, M. R., Leeds  
Ali, O. A., Leeds  
Allardice, I. D., Dundee  
Alleyne, A., London  
Ameh, A. A., London

Amodu, E. O., London  
Amphlett, C. W., Malvern  
Andrews, D. T., Doncaster  
Aneke, I. E., Swansea  
Archard, V. J., Westbury  
Archibong, E. B., Glasgow  
Arnold, D. J., Bedford  
Ashenden, J., Basildon  
Atafo, E. I., London  
Austwick, H. J., Bath  
Ayang, E. O., London  
Ayers, G. L., Dorchester  
Ayivor, E. S., London  
Ayliffe, A. V., London  
Baguley, A. E., Peterborough  
Baillie, F., Doncaster  
Baird, J., Glasgow

Bajomo, I. A., London  
Baker, E. J., High Wycombe  
Ball, D. A., Newton  
Ball, Miss S. C., Wakefield  
Barrie, M. B., Ilford  
Batt, Q. G. W., Brockenhurst  
Berry, J. D., London  
Biddle, R. H., Chigwell  
Binns, A. K. J., London  
Bishi, W. O., London  
Blakstad, N., Havant  
Bolger, E. J., Dublin  
Bolodeoku, D. A., Newcastle upon Tyne  
Bolt, D. C., Stanmore  
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Lee Kim, M. J., London  
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Omoyele, N. O. O., London  
O'Neill, G., Stockport  
Onikoyi, G. K., London  
Onile-Ere, O., London  
Ononiwu, C. N. C., London  
O'Riordan, J. F., Wembley  
O'Shaughnessy, K. M. J., Dublin  
Ostler, A., Yeovil  
O'Sullivan, T. D., Cork  
Otuwelhinmi, R. O., London  
Owen, J. A., Runcorn  
Owen, J. N., Birmingham  
Owolade, A. A., London  
Oyefeso, J. O., London

Palmer, A., Birmingham  
Palmer, D. F., Romford  
Palmer, E. G., London  
Parnell, K., Coventry  
Pearson, G. W. M., Sheringham  
Peasah, A., London  
Peers, Miss A., London  
Peters, J., London  
Peto, R. B. P., London

Phillimore, J. H., Wigmore  
Phillips, P. D., Mitcham Junction  
Pickworth, W. F., Teddington  
Pointer, C. L., Enfield  
Porter, G. J., Heathfield  
Poulson, A., Alresford  
Powell, E., Birkenhead  
Poxon, E., Ashington  
Pratt, C. S., Feltham  
Pritchard, D. E., London  
Pritchard, M., Barrow-in-Furness

Quek, S. K., London

Raouf, A. M., Manchester  
Read, C. M., Clifton  
Redman, L. N., Waterloooville  
Rees, Miss R. J. I., Harlow  
Reeve, R. W. P., Birmingham  
Rennison, Miss P., York  
Richley, J. B., Swansea  
Riggs, D. J., Northolt  
Robey, D. L., Worthy Down  
Robins, D. A., Boston  
Robinson, C. M., Leeds  
Rogers, A., Hounslow  
Rogers, B. J., Westbury  
Rogerson, J. D., Runcorn  
Russell, A. G., London  
Russell, K. W., Ware

Sanusi, J. O., London  
Schofield, D. M., Oldham  
Scott, I. L., Rotherham  
Scott, M., Luton  
Sear, P. T. C., London  
Sedgwick, N., Bradford  
Seegobin, K., London  
Shamsudin, A. A., London  
Shave, H. J., Newbury  
Sheridan, J. A., London  
Shore, M., London  
Shutt, A., Harrogate  
Silcox, J. A., Brierley Hill  
Simmons, H. S., Gravesend  
Simms, G. H., London  
Simpson, Miss M. K., Walsall  
Simpson, P. F., Aberdeen  
Sims, J. C., Newport  
Skellon, P. R. C., Brighton  
Smith, B. A. W., St Albans  
Smith, J. G., Newton  
Smith, R. G., Denton  
Smith, G. D., Wolverhampton  
Stanley, F. A., London  
Steel, I. M., Ryde, I.W.  
Stratton, P. P. S., London  
Strong, Miss D. J., Edgware  
Stuart Trainor, J. W., London

Talbot, N. W., Newcastle upon Tyne  
Tan, G. T., London  
Tan, K. S., London  
Taylor, Miss A. M., London  
Taylor, B. F., Manchester  
Taylor, C. G., Elsecar, Barnsley  
Taylor, J. W., London  
Thomas, G. A., Chester  
Thompson, A. D., London  
Thompson, B., Sunderland  
Tidy, J. W., Rhondda  
Trowill, M. J., Hull  
Truman, M. J., Mansfield  
Trumpess, T. F., Slough  
Turner, H., Hexham  
Turner, Miss H. E., Oldham  
Turner, J. A., Hull  
Turner, J. A., Lowestoft

Ugborogho, O., London  
Ure, R. A., Llanelly  
Utomakili, S. O., Wednesbury  
Uwakwe, P. L., Wigan

Van der Willik, P. J., Syston  
Vanhegan, D. F. A., London  
Vass, T. W., Basingstoke

Wade, R. M. A., Winchester  
Wagneur, D., Geneva  
Wallace, G., Belfast  
Waring, D., Dinnington  
Wason, J. J., Maidenhead  
Watson, J., Glasgow  
Watts, D. R., Birkdale  
Watts, M. A., Coventry  
Welch, D. M., Ashted  
Wheat, J. R., Scunthorpe  
Wheatley, G., Enfield  
White, J., Slough  
Whitehead, D., Croydon  
Wilde, R. E., Downham Market  
Wilfin, S., Sheffield  
Wilkerson, A. E., King's Lynn  
Wilkinson, D. M., Barnoldswick  
Wilkinson, Miss E. H., Epping  
Williams, D. P., London  
Williams, R. F., Greenford  
Williamson, N. A., Lymington  
Woodall, M. D., London  
Woods, S. J., Tavistock  
Wrentmore, R. W. F., Erdington  
Wright, J. W. F., London  
Wright, R., Blyth  
Wright, T. A., Wooburn Green  
Wright, W., Cumbernauld

Yardley, A., Chorley  
Young, P. M., Cheam

### 503 Candidates failed

## Summary of Results

Candidates		Intermediate		Final		Total
		Pre- liminary	Section I	Section II	Section I	Section II
Passed with Honours	..	—	7	7	8	7
Passed	.. ..	57	562	439	257	127
Failed	.. ..	58	528	503	349	217
Total sat	.. ..	115	1,097	949	614	351
						3,126

MOTOR — FIRE — CONSEQUENTIAL LOSS  
**MOTOR UNION** INSURANCE COMPANY **L<sup>TD</sup>**  
ROYAL EXCHANGE, LONDON EC3

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## Turnover Tax Rejected

IN his Budget speech on April 3rd, 1963, THE CHANCELLOR OF THE EXCHEQUER dealt with a suggestion that a general turnover tax, of the type familiar on the continent of Europe, might be introduced here as a possible substitute for the purchase tax or the profits tax. He appointed a committee consisting of Mr GORDON RICHARDSON, M.B.E., Sir HENRY BENSON, C.B.E., F.C.A., and Sir DONALD MACDOUGALL, C.B.E., to examine the idea. The report of this committee was published on Wednesday (Cmd 2300. H.M.S.O. Price 6s 6d net).

In announcing the appointment of the committee, Mr MAUDLING said that supporters of the suggestion argued that it provided a built-in incentive for exports, but he expressed his own scepticism about that. He added that it would certainly not increase the returns on export sales; the encouragement to export would arise only from reducing the return in the home market if the manufacturer did not pass on the tax to the consumer, which Mr MAUDLING thought unlikely.

We quote from Mr MAUDLING because in the event the report of the Richardson Committee really only echoes his own words. There are two main types of general turnover tax. The cascade system exemplified in Germany is a cumulative tax levied anew at every stage in the production of goods. This tax appears to be on its way out even in Germany, owing to its many deficiencies and therefore the committee recommends positively against it.

The other type is the tax on added value, exemplified in France. Here, too, tax is levied at each stage, but when the goods leave one processor for another, he is entitled to add the tax to the invoice, so that ultimately it is borne by the consumer.

The committee sees no valid reason for introducing the value-added tax in substitution for purchase tax. It would not encourage exports or growth any more than does purchase tax (where there are already provisions for exemption for exported goods). In so far as the value-added tax in France does contain provisions designed to encourage exports, these are merely to remove, to some extent, the disincentive to exports which the added-value tax would otherwise bring. Such a tax would impose a much greater administrative burden than purchase tax, which itself is capable of being more generalized if desired.

The committee is equally unenthusiastic about replacing profits tax by an added-value tax. According to evidence given by business organizations, business men would add this tax to their prices, thus sending up the cost of living and therefore wages and other costs, and thereby reducing their competitive position in the export field.

## Policy for Monopolies

COMPETITION, it has been well said, is the life-blood of an efficient economy. Last week's White Paper<sup>1</sup> seems to share that view, since both in the opening and final paragraphs thereof it is stressed that national prosperity 'depends on the efficient use of economic resources in competitive conditions'.

Much lip service has been paid in this country to the stimulating qualities of competition, but the fact remains that within many sectors of British industry the intensity of that competition has been severely modified by the validity of agreements and arrangements between producers. The simple fact is that most industries tend to be dominated by a handful of large firms which, even if there are numerous other smaller firms, serve in the capacity as price leaders. Where there are only a few large producers, i.e. an oligopolistic situation, then inevitably rational behaviour demands some form of sharing of the market. The root difficulty is that modern production techniques are most effectively utilized by the large concern. There is, therefore, a technological trend towards a monopolistic situation in many industries. This is not to suggest that such firms which enjoy a dominating, rather than a monopolistic, position in an industry, behave anti-socially. The trouble is that they are in a position to act contrary to the public interest. The reports of the Monopolies Commission in recent years have made it clear that in certain industries competition is more apparent than real and that the consumer loses thereby.

Not even its most ardent supporter would assert that the post-war campaign against monopoly in its various forms has been strikingly successful. The White Paper, albeit somewhat indirectly, makes this abundantly clear. The defects of the present situation are to form the basis of legislation to be introduced in due course. Thus, the Monopolies Commission itself will become an investigating body with an enlarged membership and staff. It will be assisted by a new Registrar of Monopolies upon whom responsibility for initiating

investigations will rest. The ability to enforce the Commission's recommendations has, until now, been limited; it is proposed therefore to grant powers to the Commission to compel firms to comply with the Commission's requirements. Nevertheless, the view is expressed that such powers would rarely be needed; rather they should be held in reserve. However, the exercise of such power would in each case be subject to Parliamentary approval.

Recent anti-monopoly legislation has inevitably enhanced the attractions of mergers between major firms in particular industries, but the White Paper recognizes that such mergers may be beneficial both to the firms concerned and the national economy. Nevertheless, it is proposed that the new Monopolies Commission should have powers under Board of Trade direction to investigate the proposed mergers and to decide whether they were in the public interest. The ability of organized industry to adapt itself to changing circumstances has been evident in the changes which have followed the introduction of the Restrictive Trade Practices Act, 1956. This Act requires the compulsory registration of restrictive agreements and that their signatories should satisfy the Court that they were in the public interest.

While many such agreements have been allowed to lapse or been terminated, they have been effectively replaced by a new set of arrangements. Information exchanges, for example, whereby firms are given data relating to costs and prices, are not always what they appear to be, and the White Paper notes that 'the Government are not prepared to see the intention of the 1956 Act undermined' by such agreements, which in future will become registrable. Likewise the use of bilateral agreements through the intervention of a trade association, whereby it is possible to operate a price ring or central selling scheme, are also to be registered, as are certain maximum price agreements which have in some cases replaced the old minimum price agreements. In all cases exemption of such agreements will be granted only if the parties thereto can satisfy the Court that they are not contrary to the public interest.

<sup>1</sup> *Monopolies, Mergers and Restrictive Practices*. Cmnd 2299. H.M.S.O. Price 1s net.



## Scottish Institute Developments

**A** FOREWORD by the PRESIDENT to the report of the Council to be presented to the annual general meeting of members of The Institute of Chartered Accountants of Scotland on March 25th, draws particular attention to five main developments, two of international and three of domestic interest, in the period under review.

The first of these was the admission of the Institute (together with the English and Irish Institutes, The Association of Certified and Corporate Accountants and leading professional bodies in the Netherlands and Scandinavia) to membership of U.E.C. (Union Européenne des Experts Comptables Economiques et Financiers). This, the PRESIDENT points out, was the culmination of several years of patient diplomatic activity but the benefits, cultural and ethical, accruing to the profession at large from regular joint consultations in the future should completely justify the efforts made to bring about this link.

The second event of international significance was the European Congress of Accountants held in Edinburgh in September of last year. Thirty-eight accountancy organizations from nineteen countries in Western Europe were represented and in all 2,087 people, of whom 1,211 were participating accountants, attended. This support helped greatly to achieve the objects of the programme which were to promote personal contacts and to encourage the full exchange of views. Other factors which contributed to the success of the Congress were the setting, the weather and the forethought and work of those responsible for the comfort and entertainment of all taking part.

The reaction of the Council to the effect which the proposals contained in the Robbins Report, if implemented, might have on the Institute's existing educational arrangements for apprentices has been commendably quick. A committee is now being formed to consider and report on every aspect of recruitment and training and to review the whole range of professional knowledge, both common and specialized, to be associated with the syllabus. Clearly connected with this are the other two domestic developments specifically referred to by the PRESIDENT, namely, the approval in principle by the Council of the recently announced

scheme for a Diploma in Management Accounting Services, to be jointly administered by the councils of the three chartered bodies with those of the Association and The Institute of Cost and Works Accountants; and the setting up of a special committee to consider how the Institute can help members who, although not taking the Joint Diploma may, nevertheless, wish to enlarge their present knowledge of management accounting.

During 1963, a record number of 453 indentures were registered and it is hinted that when the effect of the birth-rate 'bulge' of 1946 and 1947 is made apparent, the figure may go yet higher. It is interesting to note that the Glasgow area supplies considerably more than half of the Institute's apprentices. Examination results continue to reflect great credit on the Institute's tutorial system. Only in Part IV did the pass percentage fall as compared with the previous year (and that only from 61 to 58 per cent) but, on the other hand, in Part III (A) which comes towards the end of a strenuous academic year, 74 per cent passed as against 59 per cent, and 73 per cent cleared the final hurdle of Part V as compared with 63 per cent. The total membership of the Institute at December 31st, 1963, was 7,448, a net increase over the year of 184.

The 'moderate research programme', intimated in the Council's previous report, has now been inaugurated. Experience gained on a number of 'pilot projects' has paved the way for more ambitious work now being planned. Additionally, the committee drafted memoranda on the Contracts of Employment Act and prepared evidence for submission to the Committee on Social Studies under Lord HEYWORTH. The Taxation Committee likewise made representations to the Board of Inland Revenue on the 1963 Finance Bill and, earlier this year, gave THE CHANCELLOR OF THE EXCHEQUER its views on matters which should be dealt with in the forthcoming Finance Bill. These and other reported activities indicate how closely the Council identifies itself with all matters of concern to the business community.

The Council's report this year is presented in a pleasing new and enlarged format which makes for more comfortable reading and easier reference.

# Stimulating Plant Replacement—I

## DISCRIMINATORY FISCAL TECHNIQUES

by R. J. BRISTON, B.Sc.(Econ.), A.C.A., and E. W. EVANS, M.A., Ph.D.

**A**MONG the many obstacles to rapid economic growth studied in recent years perhaps the most important has been the inadequacy of investment. It is notorious that Britain has invested a smaller percentage of the national product than any comparable nation since the war. But recently it has been realized that the total of investment is not, of itself, the major determinant of growth. Norway, for example, has a better record in this respect than the United States or any European country, while her rate of growth has not been impressive. Increasing stress has in fact been placed upon the quality as distinct from the quantity of investment. That is to say, upon the extent to which new investment takes the form of technologically improved equipment and not merely the duplication of existing plant. A large part of the rise in output attained by higher investment is due not merely to the employment of more machinery but to its better quality. Efficiency, as well as volume, is important in this field as in so many others.

The argument here, of course, hinges upon the greater productivity of new plant and machinery which incorporates technological advances. In general terms, modern equipment economizes all inputs per unit of output and by making better use of a given labour force yields higher output per worker or per man-hour. Put in another way, the introduction of new and improved methods increases the capital intensiveness of industry, and it is the amount of capital per worker that ultimately governs productivity levels.

Unfortunately it is evident that relatively little of the investment undertaken in Britain has been of this variety. The best measure of the extent to which current investment embodies technological improvements is the capital-output ratio, that is, the change in investment divided by the resulting change in output. On this criterion, according to an Organization for Economic Co-operation and Development study of 1962, Britain ranks last among the industrial nations of Europe. Or, to quote a concrete example, each £1 of investment

*'It has been obvious for some time, that investment in modern equipment must occur on an increasing scale if the United Kingdom is to achieve growth, price stability, a satisfactory balance of payments and indeed any other of the usually accepted economic goals.'*

in Western Germany yields three times as much output as in the United Kingdom.

Confirmation of this conclusion, of course, is provided by the slow rate of growth in output per man achieved in Britain, which has been outstripped by the rest of Europe. But most important of all, there is the evidence provided by a survey taken in 1961 of the age of metal-working machine tools used in industry. At that time only 40 per cent of those in Britain were under ten years old, compared with 45 per cent in Germany, and 44 per cent in Italy. Some consolation could perhaps be derived from the fact that the percentage for the United States was identical with that of Britain, but the advantage lay heavily with the United States in regard to machines under twenty years of age. In short, it is evident that in 1961, analysed over individual industries, obsolete machine tools accounted for between 41 and 87 per cent of the total in use. On the basis of these figures it is clear that few trades have in fact invested sufficient to obtain an appreciable advantage from the technical advances of recent years.

### Evidence Alarming

The evidence on capital-output ratios, productivity changes and the age of equipment is sufficiently alarming to warrant attention. The National Economic Development Council has stated that 'a key factor in achieving a 4 per cent growth rate will be the degree to which new investment embodies the results of up-to-date technical advance', while recognizing that 'we have not been quick in introducing advanced techniques'. None of this is new, however, since the Council on Prices, Productivity and Incomes had previously stressed that 'in an age of revolutionary changes in technology... there is a premium on renewing and developing equipment rapidly'. Moreover, they had also emphasized

that 'productivity or output per head is raised . . . by applying improved techniques through the right kind of investment', and expressed doubts whether Britain 'made the best use of so much investment as it has achieved, and in particular whether its direction has been sufficiently guided by considerations of cost and efficiency'. Undoubtedly it is obvious, and has been obvious for some time, that investment in modern equipment must occur on an increasing scale if the United Kingdom is to achieve growth, price stability, a satisfactory balance of payments and indeed any other of the usually accepted economic goals.

It should be mentioned that the distinction between more investment and more modern investment is to some extent artificial. Most types of plant produced embody improvements, minor or major, upon previous models. Without touching upon the wider issue of the amount of research being carried out in Britain, it seems clear that for the most part new machines are more efficient than their predecessors. Development, if not research, is a continuous process, and it can be doubted whether any piece of equipment made today is identical with the model of, say, 1950.

### Need for Large-scale Re-equipment

The immediate problem, then, is to persuade business men to re-equip on a large scale instead of clinging to obsolete equipment. If this can be done the quality of investment would inevitably improve simply because few modern machines are as inefficient as the obsolete types still in use. This is not to say, of course, that a conscious effort to seek out and apply cost reducing plant or techniques is not highly desirable. But as a first approximation the immediate objective must be to encourage the replacement of existing plant on an increasing scale.

It is by no means obvious why business men have not, in fact, been willing to invest in new plant on a significant level. A 'stop-and-go' economy, high and fluctuating interest rates, uncertainty about the Common Market and the consequent short-term outlook, are clearly some of the relevant factors. Probably the most important consideration, however, is that over recent years it has been possible to make profits with obsolete plant, and new investment has not been attractive. Management has lived in a 'cost-plus' world where the use of outdated machinery and reconditioned plant has been perfectly feasible. Moreover, rising wage costs have not encouraged the use of labour-saving equipment because this very rise in wages has also affected

the capital goods trade and forced up the price of its products.

Thus, in price terms, there has been little or no incentive to adopt input-economizing techniques because these new types of plant have become increasingly expensive. The latest machine no doubt reduces total inputs per unit of output, but input prices, when that of the new equipment is included, are too high to yield any appreciable cost advantage. In concrete terms, for example, an up-to-date machine may reduce the labour required to produce a given output by 25 per cent, but add more to costs than it economizes on wages. All this merely amounts, of course, to a statement of the fact that reorganization of the capital goods trade so as to raise its productivity more rapidly than its wage bill is essential. Only in this way, through stabilizing or lowering the price of capital goods, will the general business man be encouraged to adopt the modern, input saving techniques.

How this rapid rise in productivity within the capital goods sector can be brought about is not immediately obvious. Clearly re-equipment with modern, cost-reducing machines would contribute to the desired end, and so a higher rate of investment in the capital goods industry is evidently to be encouraged. But to justify such re-equipment and, indeed, any other attempt to obtain economies of scale, the capital goods manufacturers would require a high, and more important, stable demand for their output.

At present the demand is subject to wide variations over the trade cycle. Such fluctuations inevitably exert an upward pressure on wage costs, and consequently prices, because it is expensive to recruit and retain the necessary skilled workers to meet peak demand. But more significantly, they also make it difficult for the industry to obtain economies from optimum utilization of technically modern plant, since the normal position is one of under- or over-capacity working. Stabilization of demand, then, is a prerequisite for cost-reducing changes of method within the capital goods sector. And to achieve this result it is essential that firms in general manufacturing should undertake new investment at a high and steady rate over time.

From the foregoing analysis it seems clear that a greater and more constant level of investment is indispensable for the British economy. If business men can be persuaded to buy new plant steadily over time and in larger quantities, the end result must be a general rise in productivity due to the adoption of improved equipment; and lower unit

costs and prices within the capital goods sector which would reinforce the tendency towards modernization of the economy's plant and machinery. The problem is clearly to discover some means of accelerating the rate of capital replacement and stabilizing it over time.

It is evident that monetary policy, in the sense of interest rates, price stability and the general level of consumer demand, will play a role in determining investment. But it is widely believed that fiscal measures constitute a more immediately effective weapon.

### **An Economic Regulator**

In recent years there has been an increasing tendency for income taxation to be regarded not only as a means of raising revenue in as equitable a fashion as possible, but also as a powerful instrument of economic policy. The Royal Commission on the Taxation of Profits and Income 1955 viewed this trend with some misgivings:

'The principle of equity as between taxpayers, the principle that persons with equal incomes should bear an equal burden of tax, has been a strong foundation of the United Kingdom income tax system. . . . The effective collection of income tax depends in great measure upon its acceptability and that, in turn, depends upon its reputation for fairness and impartiality. This argues for finding vehicles other than the tax system to convey the State's encouragement of particular economic purposes.'

This conception of income taxation as a source of public finance whose incidence should be governed by purely equitable considerations has been maintained by Mr Maudling who emphasized that investment allowances were not a subsidy, but a reallocation of income:

'The investment allowance is criticized by purists on the ground that allowing depreciation at 120 per cent of the cost of the asset is in the nature of a subsidy. I have never myself accepted this argument. I do not think that one can talk about a subsidy to industry when industry as a whole is paying large sums in taxation, including the special tax on profits. Investment allowances should be regarded not as a deduction from this burden, but as a reallocation in favour of those who invest at a high rate.'

However, the methods in which investment allowances have been used by the Government show that they are clearly regarded primarily as a tool of economic policy. They were first introduced in the Budget of 1954 in order to encourage investment. Investment having been over-

encouraged, they were withdrawn on February 17th, 1956. In the 1959 Budget they were reintroduced, but in anticipation of a further over-increase of investment, a warning was given that they were likely to be withdrawn again very shortly. This did not prove necessary, however, and they were in fact increased to their present levels on November 5th, 1962.

The timing of these alterations in the allowances gives every indication that they were used for economic rather than equitable motives. Nor is this necessarily a bad thing. The principle that persons with equal incomes should bear an equal burden of tax may have been a firm foundation of the United Kingdom income tax system but it is not necessarily justifiable on financial grounds. A company with a capital of £200,000 which makes a profit of £2,000 could hardly be described as equal to a company earning the same profit on a capital of £10,000. In the absence of extenuating circumstances the first company should be encouraged to make more efficient use of its assets or to contract, while the second should be encouraged to expand.

Similarly, a widely accepted value judgement would be that a firm of book-makers making a profit of £10,000 is not making the same contribution to the public good as a firm of exporters making the same profit. Many tax reformers would like to see the latter firm subsidized, or to use official parlance, receive a reallocation of income tax in its favour.

### **Use of Differential Taxation Accepted**

The current climate of modernization of Britain is seeing a slight erosion of the old-fashioned principle of equal income, equal tax. The Government, besides introducing investment allowances, has given tax incentives to firms investing in development areas, and it appears that the use of differential taxation in the field of economic planning is now accepted. Mr Wilson, too, has adopted this view, though naturally to a fuller extent, in view of his party's attitude to economic planning generally, and in a speech at Swansea on January 25th last indicated that he would use taxation to discriminate between firms which aided exports or reduced imports and those which did neither. The Government's reply was that this would not accord with the principles of equity.

On the assumption that a selective increase in production and efficiency is to be aimed at and that discriminatory taxation is a means to this end, what taxation techniques can be recom-

mended to provide greater incentive to investment? In recent years two such techniques have been advocated: investment allowances and accelerated depreciation allowances.

On their first appearance in 1954, investment allowances were warmly received. *The Accountant* of April 10th, 1954, stated:

'The decision to institute a tax-free investment allowance will be generally welcome in industry. Most responsible opinion before the Budget was agreed that some greater incentive to invest in new capital equipment was necessary if British industry is to keep its costs down to a competitive level. The only query will be whether the new allowance goes far enough.'

The same journal on April 17th, 1954, said:

'The declared object of the allowances is to encourage industry to put money into productive investment and thus to improve this country's competitive power, especially as regards competition with America and Germany. The point is made that the new and up-to-date machinery which will be added to our industrial potential will add to the country's income and to industry's contribution to the National Exchequer.'

### Cost Advantage of Investment Allowances

The allowances were therefore seen as a means of encouraging industry to become more efficient by the adoption of new techniques and therefore more competitive in export markets. They would tend to bring about this result in two ways. First, they would have the psychological effect of creating more confidence in the business world and thereby making business men more prepared to undertake new investment. In this way their effect is analogous to a reduction in Bank rate.

The second inducement to new investment would be the cost advantage given by investment

allowances. The purchase of a new machine will enable the investor to set off 30 per cent of its cost against his profits for the year of the purchase. With current tax rates for companies at 53·75 per cent this means that a subsidy of 16·125 per cent of the cost of new machinery is being given to investors. But this is only true when the alternatives of investing in new machinery or not investing at all are being considered. The advantage of investing in new machinery as opposed to second-hand machinery is not nearly so clear-cut.

This point is worth further consideration. Recent surveys seem to indicate that the pay-back period is one of the more commonly used investment criteria. This method discounts risk by requiring an investment to pay for itself in a period considerably shorter than its economic life. The pay-back period may be defined as the length of time that the investment takes to increase net income or reduce net costs by the amount of its own cost. Thus if a firm adopted a pay-back period of five years as its criterion it would only undertake new capital expenditure that paid for itself within that time.

Assuming a five year pay-back period, what are the relative income tax advantages of the purchase of new and second-hand machinery of £1,000? The effect is shown in the table below.

The net tax advantage of the new machine under this method is therefore £195 at 53·75 per cent, which is £104 16s 3d. Over a pay-back period of three years the advantage would be reduced to £156 at 53·75 per cent, which is £83 17s.

One of the reasons why investment allowances have not been so effective as was hoped is that their benefit is spread over the whole tax life of the machine, so that the whole of the benefit is

					New		Second-hand			
					£	£ 1,000	£	£	£ 1,000	£
Year 1: Investment allowance	..	..	..	..			300			
Initial allowance	..	..	..	..	100			300		
Annual allowance (15 per cent)				..	150		250		150	
					<u>250</u>			550	<u>450</u>	450
					750				550	
Year 2: Annual allowance	..	..	..	..	112			112	82	2
					<u>638</u>				<u>468</u>	
Year 3: Annual allowance	..	..	..	..	96		96		70	70
					<u>542</u>		758		<u>398</u>	602
Year 4: Annual allowance	..	..	..	..	81		81		60	60
					<u>461</u>				<u>338</u>	
Year 5: Annual allowance	..	..	..	..	69		69		51	51
					<u>£392</u>		<u>£908</u>		<u>£287</u>	<u>£713</u>

not brought into account in the investment decision.

A third effect of investment allowances was suggested by *Accountancy* in November 1962:

'It appears far more likely that the idea of investment allowances stems from the days when most businesses were extremely short of liquid funds and found difficulty in financing both replacements of plant and machinery at their post-war inflated prices and all the investment in new equipment which was desirable.'

It seems unlikely, however, that they would have operated to increase the liquid funds of a business for there would be an average time-lag of two years between the purchase of the machinery and the payment of the reduced amount of tax. They would, it is true, provide further funds for subsequent investments, but this would not affect the liquidity of the firm as far as the initial decision was concerned.

Investment allowances would appear to have been effective only to the extent that they have been accompanied by other measures designed to increase business confidence which would probably have induced new investment by themselves, without the allowances. Their real but small cost advantage over non-investment or second-hand investment has been disregarded by business men. A survey by two members of the Department of Commerce at Southampton University in 1963<sup>1</sup> showed the following answers to the question 'Have investment allowances for plant and machinery (for taxation purposes) at any time proved to be an inducement to your concern to replace (or add to) plant and machinery?':

42 concerns (32 per cent) answered 'Yes'.

74 concerns (56 per cent) answered 'No'

16 concerns (12 per cent) gave no reply.

These figures indicate that investment allowances in many cases do not enter into management's calculations (if any) as to the profitability of proposed investments. If this is the case, then these investment decisions are being made on the basis of incomplete data.

### Investment Allowances Criticized

The *British Tax Review* in December 1963 attacked the allowances on the grounds of their ineffectiveness:

'Large companies plan capital expenditure well ahead and rarely spend sizeable sums until a year or more after the decision is taken to spend them.

With investment allowances being turned on and off like hot taps, few experienced business men take any account of them at the decision-taking stage; they decide on capital investment on purely business grounds and few, if any, of their decisions will be influenced by the present changes.'

To which the answer is, of course, that any investment decision with the least claim to accuracy should in fact be influenced by the allowances.

A final criticism was made in September 1963 in *Accountancy*:

'... it has yet to be proved that fiscal benefits of this kind do anything to promote productivity. Indeed, it may be that the tax consequences of the purchase of a particular item of equipment are all that makes purchase economic. This is one factor leading to the continuing fall in the ratio of income to net assets reported by most public companies'.

This is a *non sequitur* for two reasons. On the one hand the fall in the ratio of income to net assets is largely attributable to the fact that new machinery at current prices was being aggregated with old machinery at historical cost, thus inflating the base of the ratio. The other reason is that managements taking investment allowances into consideration would presumably be efficient enough to choose between the most profitable of all available investments and the alternative of non-investment. It thus seems reasonable to assume that the profitability of the business would have been reduced had they not undertaken the new investment.

Such evidence as is available, therefore, indicates that investment allowances have been wholly ineffective partly due to faulty decision-making techniques on the part of business men, and partly due to management's understandable reliance on the state of business confidence as a prime factor in influencing their decisions.

In the *British Tax Review* for April 1959, A. R. Hersic made the following prediction regarding investment allowances:

'It is doubtful if this "incentive" will provide any effective stimulus to firms to revise or accelerate the implementation of their investment programmes, until consumer demand is again at a high level, and then, of course, the time will be ripe for their withdrawal. . . . In view of the importance which the Chancellor clearly attached to the pace of industrial investment, it is a pity that the obvious measure of accelerating the write-down of industrial assets was not adopted.'

If it is accepted that investment allowances have failed to induce new investment partly

<sup>1</sup> 'A Report of a Survey of Managing Accounting Techniques in the S.E. Hants Coastal Region', by H. Hart, B.A.(COM.), F.C.A., and D. F. Prusman, B.A.(COM.), A.C.A.

because of their apparent transitoriness, it seems at first sight that a permanent rate of accelerated depreciation might prove more effective.

In a concluding article it is planned to discuss the efficacy of accelerated depreciation in the British experience, to suggest more positive

measures that might be taken to penalize firms which continue to use antiquated machinery and to indicate how the present system of capital allowances could be adapted to stimulate the required quantity and quality of investment.

*(To be concluded.)*

## Queer Wills

### Some Quaint Ways of Making Bequests

by A. G. MATTHEWS, F.R.S.A.

The wills department at Somerset House is just now having its busiest time, dealing with the annual spurt of wills for probate which occurs at this period of the year.

There used to be a crop of romantic stories in 'wills' up to some years ago: but officials have since noted two features of outstanding interest. One is that donations to charities have suffered a severe slump owing to a deliberate withholding of bequests in this respect. Some years ago there were one or two large wills where the testators attacked the death duties and declared their intention of cutting down bequests on charities.

There has, however, been a strange change in another direction. There has been an enormous increase in 'friendship' wills 'for services rendered' bequests. Probate officials cannot recall having seen such a spate of these pleasant and most welcome of all bequests. One year nearly £ $\frac{3}{4}$  million was left to old friends, to servants and retainers, and to old business employees.

However, strange stories abound in some past testaments. One of the queerest is that of a famous practical joker of bygone London, named Mayne. He left to his valet a locked portmanteau with 'something that will enable him to drink'. The valet eagerly opened his gift; it contained a promising-looking cash-box, which he also opened and found – a salted red herring!

One eccentric testator wrote his will in invisible ink upon a door. It was properly witnessed. The Court, however, would not permit a photographic copy to be proved. The door itself had to be taken to Court, and the will was duly proved.

A president of the Probate Court pronounced valid this poetic will:

'As to all the worldly goods I have in store,  
I leave to my beloved wife evermore.

I give all freely. I no limit fix.

This is my will, and she executrix.

People have written their last will and testament on the linings of their hats. One of the shortest wills ever made was inscribed by a Manchester Ship Canal pilot on the shell of an egg. Other people have used book covers, strips of birch bark, and even a petticoat. This last was the medium chosen by Mr George W. Hazeltine, a business man, who bequeathed two legacies of £2,000, and one of £10,000 to a grand-niece. The garment was duly filed for probate in Los Angeles.

Some time ago a Staffordshire landowner directed his executors 'to make his funeral service as cheerful as possible' and 'to keep the rabbits down on the estate'. We can smile, too, at the Londoner who wrote in his will: 'To my wife, one pair of trousers, free of duty and carriage paid, as a symbol of what she wanted to wear in my lifetime but did not'. One may reflect as to which of them, after all, did rule his hearth.

One of the queerest wills is surely that of an American carpenter. During his forty-four years as a lamplighter in a Philadelphia theatre he secretly cherished ambitions to be an actor. He decided that if he failed to get on to the stage during his lifetime, he would have an enterprising shot at arriving there after his death. He directed in his will that his head should be severed and the skull presented to the 'props' department of the theatre, for use as 'poor Yorick's skull', whenever *Hamlet* should be played.

One of the choicest wills ever framed was found in the pocket of Mr Charles Lounsbury – one-time lawyer – who died a pauper in a poorhouse at Chicago. Although he had come down in the world he still retained his feeling for the beautiful and an abounding charity towards his fellow men. One sentence must suffice to show the quality of this remarkable document:

'I leave to children inclusively, but only for the term of their childhood, all and every flower of the field and the blossoms of the woods, with the right to play among them freely according to the custom of children, warning them at the same time against thistles and thorns.'



# Growth of the Institute

## MOVE TO NEW TEMPORARY OFFICES

**T**HE announcement on our front cover that The Institute of Chartered Accountants in England and Wales is moving from its headquarters in Moorgate Place, EC2, to temporary offices in EC1, marks another phase in a continuous conflict between expansion and accommodation.

When the Institute was formed in 1880, its membership was less than 1,000 and its first offices in 3 Copthall Buildings, Throgmorton Street, were presumably considered sufficient for its needs. By 1888, however, the accommodation,

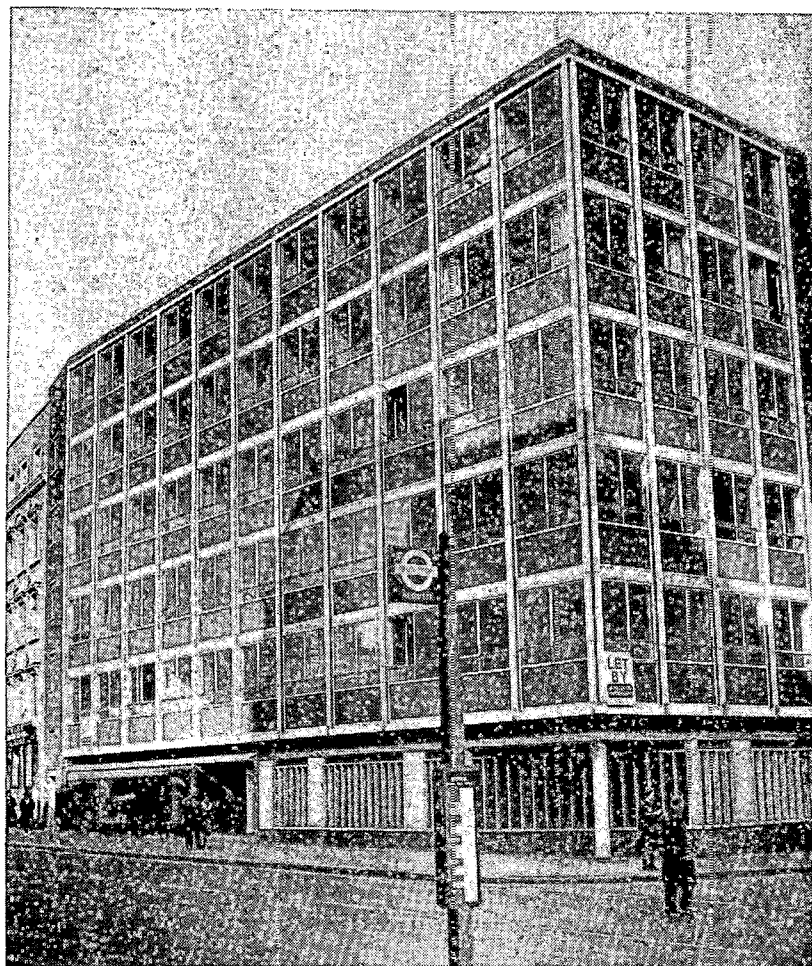
both for the increasing membership and the accumulating library, had become quite inadequate and in that year the Council acquired a 999-years' lease (subsequently converted into a freehold) of 4,500 square feet of land in an area then known as Coleman Street Buildings but now as Moorgate Place.

The winner of the open competition for the design of the new headquarters was John Belcher who, breaking away from the then prevailing tradition of Victorian Gothic (appallingly apotheosized in St Pancras Station), sought his inspiration from the Genoan palaces of Renaissance Italy.

In carrying out his ornate plan, he was helped by two sculptor friends, Thorneycroft and Bates, the former of whom decorated the exterior with a descriptive frieze which tells a story about as long and detailed as that at the base of the Albert Memorial.

Perhaps the most notable of many unusual interior features is the library, the side galleries of which are connected by a balustraded bridge to which are affixed two tall lanterns of Venetian design.

In the late 1920s, by which time the membership of the Institute had risen to over eight thousand, the Council once more needed additional accommodation and acquired an adjoining site for an extension. The exterior was made to harmonize with the original structure and the Thorneycroft frieze was continued for another fifty feet to a total of 190 feet, thus comfortably outstripping Gilbert Scott's marathon effort in memory of the



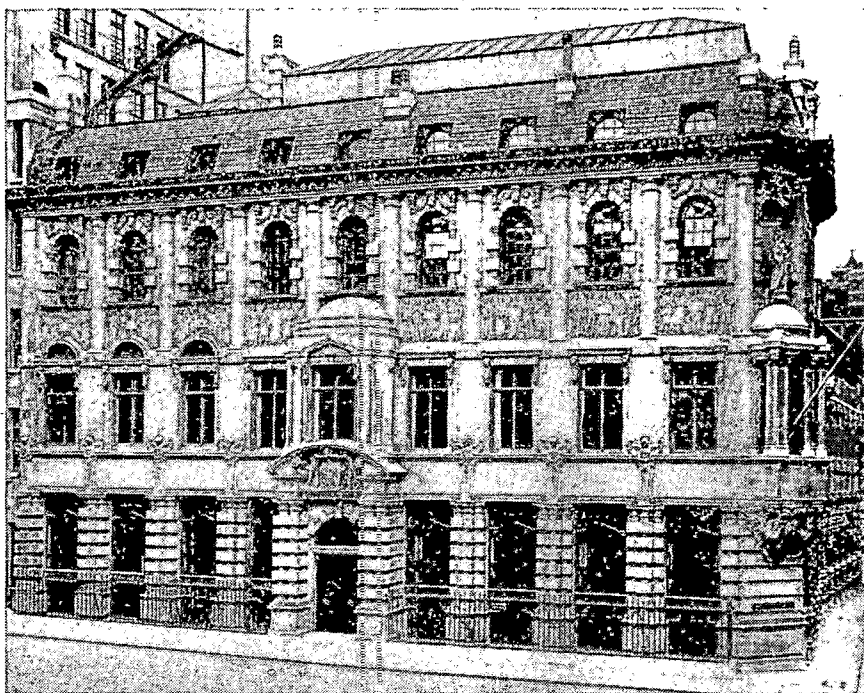
City House, 56-66 Goswell Road, London EC1, which, with nearby Eileen House, 26-34 Old Street, will comprise the new temporary headquarters of the Institute.



Prince Consort. The artist responsible for this extension chose as his subject the history of building from prehistoric times to the present day and, in so doing, modestly incorporated figures of the architect and himself.

Twice in recent years the Institute has taken extra premises in nearby buildings in Moorgate and London Wall to cope with the extra administrative work caused by natural growth accelerated by the consequences of the integration scheme of 1957, resulting in the present membership of 38,000.

These tenancies were expedients but the latest move, we understand, is the first stage in a plan to provide the Institute with a comprehensive London headquarters under one roof and within the finite site of Moorgate Place. This postulates a drastic programme of reconstruction and how much of Belcher's building will survive remains to be seen. It would be a pity if its better features, with their ponderous but undeniable charm, were to disappear but whether or not they can be happily equated with



The Hall of the Institute in Moorgate Place, opened in 1893.

the perpendicular trends of the times is a problem for an architect rather than for an accountant.

With the area available being in inverse ratio to the accommodation required, it looks as if the new headquarters must reach upwards rather than outwards. Moreover, with the Institute being still very definitely a 'growth stock' it looks as if it will have to reach upwards for quite a distance.

## Weekly Notes

### DISTINCTION TO REMAIN

THE decision of The Institute of Chartered Accountants in England and Wales – as announced in the report of the Council's March meeting elsewhere in this issue – to preserve the distinction which prevents certain former members of The Society of Incorporated Accountants from calling themselves chartered accountants was not reached without careful thought. The reason for the refusal to abolish it (in the face of repeated representations in recent years to do so) is what it has always been, namely, that the members of the Society so affected had not been trained in the offices of accountants in

public practice in the United Kingdom or Ireland, a condition precedent to membership to which the English, Scottish and Irish Institutes attach the greatest importance.

The original decision, taken when the integration scheme was promulgated in 1957, was that of the members of the Institute. The fact that this latest refusal was made after consultation with the committees of the district societies is evidence that the rank and file of the membership are still of the same opinion and that – hard as it may seem to those former Society members concerned – is what counts.

### ENCOURAGEMENT FOR INDIVIDUAL RESEARCH

ANOTHER noteworthy decision recorded at the Council's March meeting was to appoint a Research Committee, the functions of which, briefly, will be to select subjects for research and authors to

write about them and to arrange for the publication of the resultant documents if suitable.

Although the Council will finance this project through the medium of a specially created charitable trust, it is made clear that any views expressed in print will not necessarily be those of the Council. The idea behind the project is to stimulate original and individual thought. Thus, the duties of the new committee, being exploratory and advisory, will not conflict with those of the existing Taxation and Research Committee which prepares and publishes official recommendations and other statements on the authority of the Council.

### NEW P11D PROCEDURE

ONE of the better-known of the multifarious forms used by the Inland Revenue is Form P11D which is issued to employers and requires them to give details of expenses payments and benefits in kind made to or provided for employees and directors. The form calls for such information for a specific tax year, ending on April 5th. Where the employer's own accounts are made up to a different period, completion of the form involves some tedious apportionment. The report of the Council of the Institute notes that tax inspectors have now been given express authority to permit completion of the forms for the employer's own accounting year, but at the inspector's discretion. It is a condition of the exercise of such discretion that this procedure does not cause assessment or collection difficulties, omission of items from assessment, or additional work in the tax office. An agreement to adopt the accounting year basis is subject to termination at the option of inspector or employer.

### UNIQUE CASE IN BANKRUPTCY

THE Court of Appeal last week dismissed, with costs, an appeal by Mr Adrian Jacobs (33), financial consultant and former company director, from the refusal of Mr Registrar Cunliffe to grant him a 'certificate of misfortune'.

Mr Jacobs, of Grosvenor Street, London W1, went bankrupt in 1960 and was granted his discharge at London Bankruptcy Court in October 1963. It had been stated that the Committee of the Stock Exchange had brought about his bankruptcy by suspending dealings in the shares of a public company of which he was chairman and managing director.

Lord Justice Harman said that unless a bankrupt got a certificate of misfortune at the time of his discharge, he was disqualified from holding various public offices for five years. The certificate might have other advantages for Mr Jacobs with his professional association as he had been a chartered accountant.

He had practised with his brother until 1958. With assets of £9 and liabilities under guarantees of £22,000, he set out to make his fortune in the City, buying and selling shares on the stock exchange.

Between 1958 and 1960 he bought shares worth

over £6 million and sold over £5,800,000. As a result of the transactions he owed £543,000 to brokers at the date of the receiving order in November 1960. It was clearly a very large campaign of buying and selling, largely financed on borrowed money.

After dealing with matters leading to Mr Jacobs's bankruptcy, Lord Justice Harman said that a person who chose such a livelihood could not complain when his creditors called on him to pay what he owed. If things went wrong he had to suffer the consequences. It could not be said that Mr Jacobs's misfortune was entirely unconnected with any fault of his. He had been living on borrowed money and did not qualify for the certificate of misfortune.

Lords Justices Davies and Russell agreed. Leave to appeal to the House of Lords was refused.

Mr Muir Hunter, for Mr Jacobs, said it was the first case of its kind and the relevant section of the 1914 Bankruptcy Act had never been considered by the House of Lords.

### INSTITUTE'S NEW COUNCIL MEMBER

MR RUPERT WALTON, T.D., F.C.A., A.C.I.S., M.F.T.I.I., senior partner in the firm of John Gordon, Walton & Co, Chartered Accountants, of Leeds, was elected a member of the Council of the Institute at the meeting of the Council held on March 4th and reported elsewhere in this issue.



Mr Rupert Walton

Mr Walton, who served his articles with his present firm, was admitted to membership of the Institute in 1929, and is also a member of the Canadian Institute of Chartered Accountants. He became a partner in John Gordon, Walton & Co in 1934

and in the firm of Andreae & Fingland, Chartered Accountants, of Nassau, Bahamas, in 1953. From 1950-54 he served on the Taxation and Research Committee of the Institute and has been a member of the Taxation and Research Committee of the Leeds, Bradford and District Society of Chartered Accountants since 1948. He was President of the Society in 1960-61.

Mr Walton, who served in the Royal Artillery from 1939-49, is a General Commissioner of Income Tax for Leeds and a member of the North Eastern Gas Board. He is also an underwriting member of Lloyd's and holds a number of company directorships.

### TAXING SALES OF 'KNOW-HOW'

THE House of Lords has concluded the hearing of the appeal by English Electric Co Ltd against the decision of the Court of Appeal and has reserved

judgment. The Court of Appeal decision is reported at 42 A.T.C. 15. The Court had held that proceeds of the sale of 'know-how' constituted trading receipts in the hands of the company; and that the case was covered by the earlier decision of the House of Lords in *Rolls-Royce Ltd v. Jeffery*. In the House of Lords, as in the Court of Appeal, English Electric Co Ltd was at pains to distinguish its case from that of Rolls-Royce Ltd, praying in aid the decision in *Evans Medical Supplies Ltd v. Moriarty* (36 A.T.C. 277) where lump-sum payments were held to be capital in the hands of the company.

### B.B.C. BROADCASTING IS NO TRADE

**A**LTHOUGH the British Broadcasting Corporation has failed to establish that it enjoys Crown immunity from taxation, it has persuaded the Court of Appeal that when it carries out its functions as a broadcaster, it is not thereby carrying on a trade (*B.B.C. v. Johns*; *The Times*, March 6th).

Lord Justice Willmors said it was impossible to accept the contention that the Crown had ever accepted that broadcasting was part of the functions of Government. Such a principle did not follow from the fact that the Crown had by statute regulated broadcasting by a system of licensing. The fact that the B.B.C. required a licence to do what it was doing showed that it was not a function of Government; so also did the fact that the licence itself provided that the Postmaster-General could take over in an emergency.

His lordship accepted the B.B.C. submission that in so far as there was a surplus of the grant to it, over expenses, that surplus was not the profit of a trade; it was no more such a profit than the amount saved by a married woman out of the housekeeping. If there had been such a trade, then the B.B.C. would have been entitled to deduct, as an expense, its subscription to the British Commonwealth International Newsfilm Agency Ltd. The B.B.C. conceded that in relation to its publications, it was carrying on the trade of a publisher.

### THE BANK'S VIEWS...

**T**HE recent increase in Bank rate coincided with the publication of the Bank of England's *Quarterly Bulletin* for March which confirms that the purpose of the increase was to adjust the tempo of internal economic activity rather than adjust any external disequilibrium. Thus, states the *Bulletin*, 'in raising Bank rate it was no part of the authorities' intention to attract short-term funds across the exchanges'.

Reviewing the prospects for the balance of payments, the *Bulletin* notes that for some years before 1963, the terms of trade moved in favour of the United Kingdom. Last year that trend was halted, and it is unlikely to be resumed in the current year – a year which, as the January trade figures have borne out, is likely to see a substantial increase in the volume of imports. The *Bulletin* derives some indirect satisfaction from this aspect, since it points out that

with higher world commodity prices the primary producing countries should have larger disposable incomes. This should help United Kingdom exporters.

The *Bulletin* stresses the need to cause 'as little disturbance as possible to two activities now essential to the economy – exports and the continuous modernization of industrial capacity'. While limitations have in the past been placed upon the maximum length of hire-purchase agreements, there is nothing to prevent buyers from completing the agreement at an earlier date. An examination by the Bank with the co-operation of leading hire-purchase finance companies into vehicle hire-purchase contracts in 1962–63, reveals that many contracts were in fact completed earlier. Hence efforts to anticipate fluctuations in the demand for hire-purchase finance by reference to the contracts outstanding were not always successful. In view of the importance of hire-purchase finance in this sector of the economy, the Bank is proposing to publish jointly with Hire-Purchase Information Ltd new information on the length of contracts for vehicles.

### ...AND THE GOLD MARKET

**R**ECENT issues of the Bank's *Quarterly Bulletin* have contained a number of informative articles on various aspects of the United Kingdom financial system. The latest in this series is a review of the London Gold Market, which is the largest and most important in the world. In the true English tradition, the market has no written or formal constitution. It has five members, one of which acts both as chairman and on behalf of the authorities, i.e. the Treasury and the Bank. The price of gold is fixed on all working days in the light of the dealing requirements of the members. The Bank of England is directly interested in the market in a number of capacities; first, as manager of the Exchange Equalization Account; second, as agent of the world's largest single regular seller of gold, i.e. the South African Reserve Bank; third, as agent for many other central bank customers; and lastly in its efforts to ensure stable conditions in the market.

The *Bulletin* describes the gentleman's agreement which has been evolved experimentally and by consultation over the past two or three years between American, European and British Central Banks in order to protect both their reserves and the gold price of their respective currencies. The essence of the agreement is that a gold pool is created which consists of two parts; the first a selling consortium which operates whenever such activity is needed to stabilize the market; and secondly, a buying syndicate which co-ordinates buying orders for gold in the London market by the participant central banks. Both parts of the schemes are operated in a flexible and informal manner, and the *Bulletin* comments that it has done much towards creating international confidence in the stability of the exchanges, as well as in the existing international monetary structure.

## N.E.D.C. REPORTS

THE announcement by the National Economic Development Council last week that five sets of basic industrial prices are expected to remain stable throughout the remainder of 1964 is much to be welcomed. This is not least because the commodities concerned, coal and iron, together with steel, cement and chemicals, are all basic to a wide range of industrial processes, and price increases in such commodities tend to be absorbed rapidly by further increases in the finished products. How far such projections of economic prospects can be made with real confidence is a matter on which there is normally considerable disagreement, but in the case of oil, chemicals and steel, it is common knowledge that excess production and over capacity will prevent price increases.

In the same week 'Neddy' produced its report on the construction industry, and few persons concerned with that industry can feel very happy. The thesis developed in the report is that the industry is ill-equipped, both by outlook and techniques, to meet the heavy demands which the next few years will see placed upon it. In its conclusions the report urges increasing attention to the design stage and argues that inadequate management at the contracting stage is a serious bottle-neck, not least with the larger contracts. The public authorities also come in for their share of criticism; planning procedures and the appeals procedure are serious causes of delay. The most helpful feature, notes the report, is that those in the industry 'have come to recognize its problems and realize that changes must be made.' By itself, however, this is not enough, and failure to achieve its targets may mean, concludes the report, that the shortcomings of the industry will effectively retard the expansion of the economy as a whole.

MANAGEMENT STUDIES AND THE  
UNIVERSITIES

REVIEWING the experience of the universities during the past quinquennium 1957-62, the University Grants Committee makes some interesting observations on the subject of management studies<sup>1</sup>. It has been alleged, notes the U.G.C., that the universities have failed in recent years to develop such studies. The report points out that there were eleven university institutions providing such courses leading to degrees or diplomas; ten universities were providing some thirty courses for those with some experience of industry or commerce, and three other institutions were contemplating providing new courses in this field.

'By and large the response from industry to these opportunities has been disappointing', not least, notes the report, when it is compared with the enthusiasm and the work which had been put into the development of these courses. It is conceded that the fault may lie with the courses or their approach

to industrial problems, but most of them were designed in consultation with industry. 'We feel', concludes the report, 'that the past lack of support may have been due to the fact that many industries did not wish to use them.' Now, however, there seems to be a significant change in outlook, with industry taking a leading role in encouraging the provision of courses. The Foundation for Management Education has contributed handsomely to this objective and the U.G.C. has agreed to make up any deficit. The study of management is to be concentrated in selected centres; the newer universities are not encouraged at this stage of their development to introduce such courses. A particularly important reason for concentration of such courses is the acknowledged lack of staff. Looking ahead, the U.G.C. believes that part of the difficulties in recent years has been attributable to the fact that no clear picture of what was required had emerged. Now, 'clearer definitions are emerging both inside and outside the universities and we expect the next five years to show a rapid advance'.

## BRAIN EXPORT

SPEAKING at a dinner held in Exeter on Friday last week, Mr V. R. Chennell, F.A.C.C.A., President of The Association of Certified and Corporate Accountants, referred to the departure of scientists to the United States in recent weeks. The 'brain drain', as it was termed (he preferred the expression 'brain export') was, he said, merely an interchange of persons and not goods. He felt it was a good augury for the future. Much correspondence had flowed in the newspapers about the reason for this 'brain export' - many saying that the high rates of taxation in the United Kingdom were responsible. If this were true, said Mr Chennell, then it was time for the Government to make a positive move towards what he called an 'Adult Democracy' by allowing the population to have a bigger say in what they did with their wages and salaries by fixing an upper limit of 6s 8d in the £ for direct taxation. This would be the maximum standard rate of taxation and all the rest that any Government required would be raised by indirect taxation. It would be a form of budgetary control on the Government, said Mr Chennell, and would also transfer a little more responsibility to the individual - a positive move towards an 'Adult Democracy'. The Association, he added, had long advocated more indirect taxation.

## RE-DISTRIBUTION BY TAXATION

THE paternalistic role of Government, more especially in the field of the social services, is generally accepted by the public. Nevertheless, there is a school of thought which is by no means convinced that the present system of paying heavy taxes for modest flat-rate benefits is the best. A recent statistical exercise, the results of which are published in the February issue of *Economic Trends*, seeks to

<sup>1</sup> *University Development 1957-62*. Cmnd 2267. H.M.S.O. Price 15s.

evaluate the net benefit or cost to households in various income groups of the social service benefits they received for their tax payments in 1961 and 1962.

A similar calculation was made for 1957 and 1959, and published in the November 1962 issue of *Economic Trends*. The revision has been made possible by the latest survey of family expenditure which is intended primarily to form the basis of the index of retail prices. Since it provides a detailed breakdown of household expenditures, it becomes possible to estimate the contribution made by various types of household to the Exchequer in indirect taxation. The direct tax payments, given the family circumstances, are easily derived and added to the estimated indirect tax payments. Against the tax payment is set the estimated monetary value of the social

services enjoyed by the family. These are apportioned on an arbitrary basis, perhaps the most striking feature being that the children attending private schools are allotted a benefit equal to that enjoyed by the child attending a State school. Since education is one of the most expensive services, the family whose children are educated privately would need to make a considerable adjustment to the published figures.

While the benefit principle can reasonably be adopted in respect of State expenditure on social services, this is hardly practicable for other outlays. Nevertheless, the break-even point for various types of household, i.e. where taxes equal the imputed financial benefit of social services, is quite low in the income scale. A household comprising two adults

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 215

IT'S odd how many unexpected complications can arise out of what seems on the surface to be a perfectly simple and straightforward operation. To bring Burns up to date for the moment, 'Oh, what a tangled web we unweave when first we practice to perceive.'

Take overtime, for example. All accountants in industry have sweated blood in their time over the devious entanglements of this atrocity. We've checked the payments of  $T + \frac{1}{8}$  or  $T + \frac{1}{4}$ ; of  $T + \frac{1}{2}$  over the first two hours, or double-time on bank holidays; of treble-time on Christmas Day, or wage adjustments to compensate for days' leave not taken in lieu of overtime in excess of agreed ceilings. At this stage it's desirable to stop, count ten, and thank our stars that we're not engaged on the weekly payroll staff.

Anyhow, my headache on this occasion derived from scrutiny of a report prepared by Ilkley, our shirt factory manager. It showed his monthly overtime payments, percentage-wise. They were creditably low and very regular . . . very regular, indeed . . . in spite of the flap in October, the failure of the heating system in January, and the late hours on that pre-Christmas emergency order. Odd, very odd.

So I went to chat with Ilkley. He was smirking in some self-gratification, having been congratulated at board level on his low percentage; so he mellowed sufficiently to show some of his figures. Not to worry, he assured me; t'tots tallied reet nicely.

Well, they did, in a sort of way. It's true that a nice low average of 10 per cent for January didn't disclose the not-so-nice fact of two weeks at nil overtime, plus two weeks at a panic 20 per cent; but then averages have their limitations.

A look at those two panic peaks was even more informative, because our shirt manufacturing process-

es are divided into five different sections for costing purposes, with a different overtime figure for each. The bottleneck in production had occurred in the finishing section, prior to which the extra hours were low; but in the finishing . . . whew-w!

Legislation tends to look askance at hard-faced characters who drive girls at machines to excessive working periods; and there are factory inspectors on record who crack down fast on breaches of the regulations. I tut-tutted slightly and did a spot of finger-drumming on the desk. Ilkley tried to look impassive. 'Emergency,' he said. 'You're always allowed concessions in emergency.' A dull flush crept up from under his collar. 'The directors know all about it,' he retorted. 'They've no objection.'

A word with our costs section, who used to produce the O/T report, seemed indicated. The reaction was defensive. Well, yes, they *used* to produce it, but Ilkley had asked them to leave the reporting to him. He liked to insert his own comments for the directors. No, they didn't check his figures. Why, were they wrong? No, they don't look at his comments; after all he's the expert on shirt-making. *Quis custodiet ipsos custodes?*

How easy-going can you become? Our present cost accountant is unfortunately inclined to prefer a comfortable and undisturbed routine, not too harassed by argumentative colleagues with vested interest in accuracy, to the constant skirmishes associated with vigilant watchdog-ship. He'll have a rocket tomorrow.

There seemed to be something odd also about the factory maintenance gang. They'd worked late on a particular bank holiday week-end at treble-time on urgent repair work (emergency again?), receiving in return an involved adjustment of both payment of wages and special time-off in lieu, but the percentage recorded seemed odd. Apparently, Ilkley had his own approach. He only listed as O/T the hours worked over the standard 42, irrespective of the payment rate. Thus the 12 hours on Sunday were shown at four hours overtime (excess above normal) and so on; it's the time he's concerned with, he claimed, not the money.

I'll never trust O/T reports again.

only breaks even at about £500 in 1962; the same household with one child at about £520. The progressive character of the tax charge is evidenced by the marked fall in the net income after tax, but inclusive of imputed benefits as the salary rises, just as the balance of benefit becomes more marked as the income declines below the £500 mark for a family.

### BOOM IN STOCK-BUILDING

IT has been known for a number of years that a sharp shock can be administered to the United Kingdom's balance of payments if there is a burst of stock-building which brings with it a sudden rise in imports. Several of the post-war crises in sterling have been set off by the strain placed on the country's external account by a quick recovery in industrial output accompanied by an even faster build-up in stocks.

It is now apparent that a particularly extreme case

of this pattern of build-up has recently been experienced by the British economy. According to the figures released last week by the Board of Trade, stock-building between the third and fourth quarters of 1963 contributed more to increasing demand in the home market than has ever been recorded for a single quarter before. Having run stocks down by about £60 million in the third quarter of last year, the manufacturing industry assisted by wholesalers and retailers completely reversed its policy in the fourth quarter and rebuilt them to the extent of £157 million, to judge from provisional figures.

Much of this build-up seems to have occurred in the food industry and in work in progress in heavy engineering and aircraft. It seems, however, that many branches of industry have not yet joined the rush to increase stocks and for that reason, the Chancellor of the Exchequer's decision to raise Bank rate by 1 per cent recently may provide the necessary modest curb to the stock-building process.

## Finance and Commerce

### No Longer Enough

MR ALASTAIR C. BLAIR, in his statement with the accounts of Second British Assets Trust Ltd, which provide the subject of this week's reprint, calls for an improvement in the standards of company reporting. 'The minimum legal standards of reporting laid down in the Companies Act, 1948', he says, 'are no longer sufficient.'

Second British Assets Trust has a long experience in the business of investment; this year's annual meeting is its eighty-fifth. Those directing it have a first-hand realization of the need for good company accounts, ample in information and frequent in presentation. That has been the main theme of this column for something like thirty-five years.

Mr Blair refers to the considerable rise in the number of investors in recent years. Many people had been making their first venture into the stock-market, either directly or else indirectly through investment trusts or unit trusts.

He believes this wider share ownership should be encouraged, particularly if it can help to bring about a closer association between employee, employer and shareowner. But such a movement, he adds, can never be soundly based 'unless there is first dispelled much of the secrecy that at present surrounds the activities of public companies'.

### Analysis

As shareholders are drawn from widening circles, the directors of a publicly-quoted company, Mr Blair declares, have an increasing responsibility to keep them fully and regularly informed of their company's progress. Minimum legal standards are no longer sufficient.

To get some idea how far public companies are providing their shareholders with better information than is required by law, Second British Assets recently made an analysis of its portfolio.

It was found that out of 101 British companies in which the company holds shares, only three publish quarterly figures and a further twenty-one produce half-yearly profit statements. The three companies are 'Shell' Transport & Trading, De La Rue and Borax Holdings; so it is obvious, says Mr Blair, that neither the size of a company nor the complexity of its accounts makes quarterly figures impossible.

The remaining seventy-seven companies 'have not so far enlightened their shareholders with adequate progress figures until the final year's results are published'. Of the eighty-four trading and manufacturing companies held, only thirty-two disclose figures for turnover, 'one of the most useful yardsticks for measuring a company's progress'.

### Contrast

In contrast to this, Mr Blair reports on the company's experience with its holdings in 118 American companies. Ninety per cent of them, he says, publish regular quarterly information on sales, profits and share earnings which 'allow all who so wish to keep in touch with company progress and to follow the ups and downs of business caused by seasonal and other fluctuations of trade'.

It so happened that the accounts of Second British Assets appeared at approximately the same time as the publication of an offer by Lines Bros to acquire by share exchange the equity of Meccano. The offer valued the Meccano shares at 2s 10d as against their then market value of 4s 10½d. And the City Editor of *The Times* observed: 'Here does seem to be a copy-book case for keeping shareholders more regularly informed. The last news investors had was late in August when the chairman intimated that the trend in sales would not allow them to hope for more than some reduction in last year's loss.'

'It almost rubs salt into shareholders' wounds', wrote the City Editor of *The Daily Telegraph*, 'for the Meccano directors to say that current market prices for the shares are "unrealistic". They couple this comment with a sorry story of further heavy losses.'

The need for the general publication of quarterly figures is surely driven home by the Meccano case.

### Quarterly Statements

Second British Assets itself publishes regularly every three months a statement showing the valuation of its investments at the quarter-end and also gross revenue.

Figures for the last four years of these quarterlies are given with the year's accounts, fourth-quarter figures being in heavy type. Also with the accounts is a ten-year earnings record showing total income for the year and what happened to it; and a record of assets showing the investment valuation, net total assets the amount due to loan and debenture-holders, the amount due to preference holders and the amount available for ordinary shareholders. A further column gives the gearing ratio of prior charges to Ordinary and the last column the break-up value per 5s Ordinary share, which from 7s 7d in 1953 has risen to 28s 4d for 1963. Also with the accounts is the investment distribution showing the type of security, the geographical location and the industry.

The directors' report this year points out that 'a valuation of the investments as at the closing date of the accounts shows an appreciation of 113 per cent on the balance sheet figure, after transferring £1 million to capital reserve from realized capital profits formerly deducted from book cost of investments as shown in the balance sheet'.

It would be interesting to have Mr Blair's view on the method of showing the investments adopted by General Stockholders Investment Trust of which a reprint was given in the February 22nd issue.

## SECOND BRITISH ASSETS TRUST LIMITED

### REVENUE ACCOUNT

For the year ended 31st December 1963

	1963	1962
<b>1. INCOME</b>		
Interest and Dividends (including Double Taxation Relief claims) .. .. .	£509,116	£455,436
Underwriting Commissions .. .. .	697	278
<b>Total Income</b>	<b>£509,813</b>	<b>£455,714</b>
<b>2. EXPENSES</b>		
Management—		
Rent, Salaries, and General Charges .. .. .	£17,199	£15,842
Directors' Fees .. .. .	3,850	4,300
	<b>£21,049</b>	<b>£20,142</b>
Audit Fee .. .. .	500	500
Expenses of Terminable Debentures and Deposits .. .. .	426	54
	<b>21,975</b>	<b>20,696</b>
	<b>£487,838</b>	<b>£435,018</b>
<b>3. INTEREST</b>		
Interest on Debenture Stocks and Terminable Debentures (gross) .. .. .	£51,144	£52,302
Interest on Bank Loans and Deposits (gross) .. .. .	21,770	11,182
	<b>72,914</b>	<b>63,484</b>
<b>Gross Revenue</b>	<b>£414,924</b>	<b>£371,534</b>
<b>4. TAXATION</b>		
Income Tax at Standard Rate .. .. .	160,783	143,969
being U.K. and Overseas Income Tax and Profits Tax paid .. .. .	£166,114	£150,429
Transferred from Tax Reserve .. .. .	5,331	6,460
<b>Net Revenue</b>	<b>£254,141</b>	<b>£227,565</b>
<b>5. DIVIDENDS</b>		
On Preference Stock—		
Interim, less tax .. .. .	£7,228	£7,228
Final, less tax .. .. .	7,229	7,229
	<b>14,457</b>	<b>14,457</b>
	<b>£239,684</b>	<b>£213,108</b>
On Ordinary Shares—		
Interim, less tax .. .. .	£73,500	£45,938
Proposed Final, less tax .. .. .	128,625	128,625
	<b>202,125</b>	<b>174,563</b>
<b>Transferred to General Reserve</b>	<b>£37,559</b>	<b>£38,545</b>







## CITY NOTES

HAVING travelled so far on the road to recovery following the early year shake out, the stock-market is finding further progress difficult to achieve. Any advance in prices is apt to come up against the election question or the almost weekly warnings which the Chancellor of the Exchequer seems to take delight in issuing.

The tone of the Bank of England's *Quarterly Bulletin* was very much in line with the tone of the stock-market. The Bank sees scope – even optimism – for higher exports but dwells at some length on the implications of industrial re-stocking and its effects on imports.

Nor does the Bank rule out the possibility of further restrictive measures to take the top off the boom, although the view is put that any further action 'should aim to avoid abruptness and to cause as little disturbance as possible to two activities now essential to the economy – exports and the continuous modernization of industrial capacity'.

Since the way to 'avoid abruptness' is to take action in good time, the assumption must be that action should be taken sooner rather than later. Translated into stock-market terms that would seem to suggest an early rather than a late General Election.

Consideration of economic points therefore brings the market slap up against the overriding factor of the General Election timing.

\* \* \*

SIR GEORGE BOLTON, chairman of The Bank of London and South America – and also a director of the Bank of England – sees a prolonged period of rising metal and commodity prices ahead. There are already signs of rising prices and the trend, Sir George considers, will continue.

Russian and Chinese demand for foods and for capital equipment, continued growth in the North American and European economies and the concern of newly-independent African countries with political status rather than with the economics of primary production provide, in Sir George's view, a combination which must create demand over a prolonged period to a point when current surpluses may disappear.

\* \* \*

THE machine tool industry is at long last showing signs of revival. December orders were 23 per cent up on December 1962 but the Machine Tool Trades Association points out that total orders in 1963 were 6 per cent below the 1962 level and that end-1963 orders were 23 per cent down on the end of 1962.

Moreover, the impression is that the lift to business over the past few months is already showing signs of flattening out.

\* \* \*

IT is remarkable that in the current spate of new share issue interest, the failure of an issue should have passed almost unnoticed. The offer by tender of 1,250,000 Ordinary 2s shares at a minimum price of 5s a share in Comben & Wakeling, a house building concern, only attracted tenders for 1,053,300. Underwriters took the balance.

It is also remarkable that in an issue which failed to attract full support there were tenders at prices ranging as high as 10s a share. Fortunately for those tenderers they were allotted the shares applied for at the minimum price of 5s, the level at which all the shares were issued.

## RATES AND PRICES

Closing prices, Wednesday, March 11th, 1964

Tax Reserve Certificates: interest rate 19.1.63 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 <sup>11</sup> / <sub>16</sub>	Frankfurt	11.11 <sup>1</sup> / <sub>2</sub>
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 <sup>11</sup> / <sub>16</sub>	Milan	174 <sup>1</sup> / <sub>2</sub>
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.09 <sup>1</sup> / <sub>2</sub>	Oslo	20.02 <sup>1</sup> / <sub>2</sub>
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.33 <sup>1</sup> / <sub>2</sub>	Paris	13.71 <sup>1</sup> / <sub>16</sub>
				Copenhagen	19.31 <sup>1</sup> / <sub>2</sub>	Zürich	12.09 <sup>1</sup> / <sub>2</sub>
Treasury Bills				Gilt-edged			
Jan. 3	£3 14s 4.19d%	Feb. 7	£3 15s 5.97d%	Consols 4%	65 <sup>1</sup> / <sub>2</sub>	Funding 3% 59-69	89 <sup>1</sup> / <sub>16</sub> xd
Jan. 10	£3 14s 3.33d%	Feb. 14	£3 15s 6.84d%	Consols 2½%	41 <sup>1</sup> / <sub>2</sub>	Savings 3% 60-70	87
Jan. 17	£3 14s 3.63d%	Feb. 21	£3 15s 8.80d%	Conversion 6% 1972	104 <sup>1</sup> / <sub>2</sub>	Savings 3% 65-75	79 <sup>1</sup> / <sub>2</sub>
Jan. 24	£3 14s 3.81d%	Feb. 28	£4 6s 1.66d%	Conversion 5½% 1974	99 <sup>1</sup> / <sub>2</sub>	Savings 2½% 64-67	92 <sup>1</sup> / <sub>16</sub>
Jan. 31	£3 15s 2.01d%	Mar. 6	£4 6s 0.42d%	Conversion 5% 1971	98 <sup>1</sup> / <sub>2</sub>	Treas. ry 5½% 2008-12	91 <sup>1</sup> / <sub>2</sub>
Money Rates				Conversion 3½% 1969	91 <sup>1</sup> / <sub>2</sub>	Treasury 5% 86-89	88xd
Day to day	3½-4½%	Bank Bills		Conversion 3½%	57 <sup>1</sup> / <sub>16</sub>	Treasury 3½% 77-80	77 <sup>1</sup> / <sub>16</sub>
7 days	3½-4½%	2 months	4½-4½%	Funding 5½% 82-84	97 <sup>1</sup> / <sub>2</sub>	Treasury 3½% 79-81	76 <sup>1</sup> / <sub>2</sub>
Fine Trade Bills		3 months	4½-4½%	Funding 4% 60-90	94 <sup>1</sup> / <sub>16</sub>	Treasury 2½%	41 <sup>1</sup> / <sub>16</sub>
3 months	5½-6%	4 months	4½-4½%	Funding 3½% 99-04	65 <sup>1</sup> / <sub>16</sub>	Victory 4%	95 <sup>1</sup> / <sub>2</sub>
4 months	5½-6%	6 months	4½-4½%	Funding 3% 66-68	91 <sup>1</sup> / <sub>16</sub>	War Loan 3½%	58 <sup>1</sup> / <sub>16</sub>
6 months	6-7%						

## Reviews

### **Business Administration and Management**

By C. S. DEVERELL, M.A., B.Sc.(ECON.), B.COM., F.C.I.S., A.M.B.I.M. (Gee & Co (Publishers) Ltd, London. 32s 6d net.)

If this book does nothing else it dispels the notion that there is any mystique in business management. Written in a direct manner which holds the attention of the reader, the author explains the principles of organization, co-ordination and planning essential to any efficient system and, thereafter, deals in succession with the range of techniques to be applied to such spheres of business activity as the handling of staff, buying, selling, production, research, the running of the office and communications, internal and external.

In a survey of this breadth there is little opportunity, in just over two hundred pages, to dig deeply but on no account should Mr Deverell's treatment of a subject, large rather than complex, be dismissed as superficial. He appears not to have omitted at least mentioning anything of prime importance and having provided the student with a well-balanced synthesis, he then refers him to a selected book list for further reading. He does not claim to do more and within these limits he does it very well. Whether his dissertation is of much value to the established expert is another matter; but there must be few executives so constantly on the alert that they would not welcome such a clear and objective restatement of principles and techniques as set out by the author, if not as an aperitif, then as a refreshing stimulant.

### **The Training Revolution**

by JOHN WILLENS. (Evans Brothers Ltd, London. 12s 6d net.)

This book has been written by one who is working as an industrial management consultant specializing in staff selection and traces the growth in occupational training studies in Britain. The book concentrates on industrial apprenticeship and in this connection seeks to justify the replacement of apprenticeship, as such, by what is called the 'spectrum principle'. This principle is intended to show that within any industry, covered largely by what has been laid down as the required apprenticeship with its intermediate and terminal examinations, there are tasks which require the learning of skills at different levels. It is therefore contended that it is wrong to expect everyone to spend three or five years under apprenticeship whatever their level of employment, and under the spectrum principle training becomes both more elastic and more individual.

It is difficult to fit professional training into this context because accountants and lawyers require full

basic knowledge and practice. In fact, the author admits that the specialized professions are different in their needs when he says '... for two good reasons if for no other, these trainees need more than a training in the technical aspects of their chosen calling...'. Nevertheless, some of the lessons can be applied to professional students.

The work will be of real interest to all engaged in industrial management. It attacks old attitudes – both trade union and management attitudes – and pleads for a new approach to the problems of training. It warns of the dangers for Great Britain if she ignores the opportunity to set her house in order soon.

### **Law and Practice of South African Income Tax**

By I. ISAACS, Q.C., B.A., LL.B., and W. D. FIELDING, C.A.(S.A.), F.S.A.A., in collaboration with L. LAZAR, B.A., LL.B.(RAND). Consulting Editor: M. J. WELLS, B.COM. (Butterworths & Co (Africa) Ltd, Durban; Butterworths & Co (Publishers) Ltd, London. £8 10s net. Postage 3s 6d extra.)

The passing of the Income Tax Act, 1962, to consolidate the Act of 1941 and the subsequent twenty amending Acts was clearly the time for the production of a new textbook on this ever-growing branch of the law in South Africa. The joint authors are respectively a Queen's Counsel and a chartered accountant assisted by a lawyer who is senior research officer in tax law at the London School of Economics. As if that were not enough, this team had the advantage of being able to consult a former Commissioner of Inland Revenue of long standing in South Africa.

The present bound volume is all exposition. A further loose-leaf volume is to contain the 'service' consisting of supplementary notes to keep the main volume up to date, and the full text of the relevant statutes, etc., corresponding with Butterworths Taxation Statutes Service. Anyone who has used *Simon's Income Tax* will know of the tremendous utility of such a service and of the long experience from which Butterworths have been able to profit in this difficult terrain. Not the least remarkable aspect of their latest achievement is that it shows the law as at a date as recent as May 31st, 1963.

The volume is divided into four parts: Introduction, Machinery of Taxation, Computation of Taxable Income, and Computation of Tax. The parts are subdivided into chapters which are further subdivided into numbered paragraphs, on the lines of *Simon*. The introduction contains an interesting vignette on the history of the subject, from which it appears that income tax in South Africa is over one hundred years younger than the British variety. Nevertheless the table of cases covers over thirty cases, British cases being fairly well represented.

There is a very clear index of over fifty pages, and with a table of sections of the new Income Tax Act there are comparative tables to assist in tracing sections to and from the consolidating Act. In the text there are

extensive quotations from South African judgments many of which will be of interest to practitioners elsewhere who do not have access to South African reports. Clearly, if one has a South African tax problem, this is the book to go to.

### Voluntary Liquidation

by A. C. HOOPER. *Fourth edition* by J. S. Nixon, LL.B., Solicitor. (Gee & Co (Publishers) Ltd, London. 55s net.)

The appearance of a new edition of this book only three years after the previous one speaks well for the popularity and usefulness of the work.

Happily there have been few significant changes in the law relating to voluntary liquidation. The editor has shortened the paragraph on 'Workmen's Compensation', observing that claims arising after July 5th, 1948 'are however covered by the National Insurance (Industrial Injuries) Act, 1946'. But as that is now over fifteen years ago, the paragraph might perhaps be still further amended. One might also have expected, under 'Effect and consequences of winding-up', a reference to the principle established in *Oriental Inland Steam Co* ((1874) 9 Ch. App. 557), namely, that on the commencement of the winding-up the company ceases to be the beneficial owner of its property. However, these are somewhat minor points in an otherwise very sound exposition of the subject-matter. The book is most handsomely produced.

### Auditing and Theory: A C.P.A. Review

by MARY E. MURPHY, PH.D., C.P.A., Professor of Accounting, Los Angeles State College. (Richard D. Irwin, Inc, Homewood, Illinois. \$7.95.)

This volume is written specifically for prospective candidates for the uniform examination conducted by the American Institute of Certified Public Accountants on behalf of the individual State Boards of Accountancy. It is intended to help the student to prepare for two of the papers and 'aims to provide him with the principles, procedures and sophistication essential to writing answers to these two sections of the C.P.A. examination'. The book naturally stresses both 'generally accepted' principles and practices and the major current controversies in public accounting in the United States. Knowledge of these is valuable to the reader in Britain and elsewhere for comparative purposes and as food for thought.

The C.P.A. examination consists of five papers – two in 'accounting practice', one in commercial law, and the two considered by this book, 'auditing' and 'theory' (i.e. accounting theory). The examinations of, for instance, the English Institute contain no equivalent to the theory paper, but a study of the problems considered and the questions set convinces this reviewer of the need for such a paper, in which the candidate is required to discuss in narrative form accounting and reporting problems. Study for a paper of this nature must force the candidate to

realize that accounting is a moving, developing profession and that it has unresolved problems and disputed areas.

The American Institute has issued a large volume of 'recommendations' or 'bulletins' which find their way at great length into this examination textbook; it is obviously anticipated that the Institute wants to hear its own opinions quoted back at it. Thus there emerges a real danger that A.I.C.P.A. pronouncements will be treated as the last word on a subject and this is increased by the reverential respect given to the image of the Institute in the book. If research reports and discussion memoranda are published in the name of the Institute, they too receive unwarranted official recognition – and are reproduced as appendices to examination textbooks.

The text is remarkably repetitive in many sections and the style of writing is not easy to read – at least by a British reader.

### Textbook of Economic Analysis

*Second edition*, by EDWARD NEVIN, M.A., PH.D. (Macmillan & Co Ltd, London. 25s net.)

The new edition of this very good textbook for undergraduates has been enlarged by the addition of a chapter on Government finance and another reviewing the development of the European Economic Community. There is a substantial volume of descriptive and applied matter in the book, while the exposition of the theory of demand now includes a section on indifference curve analysis. Further reading is indicated at the end of each chapter, but much of it seems intended for the teacher rather than the student. This book will be most effective if used as a class-room text with a teacher.

### RECENT PUBLICATIONS

THE HUMAN TOUCH IN INDUSTRY, by Francis B. Willmott. 220 pp. 7½ × 5½. Card covers. 16s 6d net. The Saint Catherine Press Ltd, London.

APPORTIONMENTS FOR EXECUTORS AND TRUSTEES, third edition, by J. F. Fosling, assisted by Charles Caplin, LL.B. Oyez Practice Notes No. 5. 47 pp. 8½ × 5½. Card covers. 7s 6d post free. The Solicitors' Law Stationery Society Ltd, London.

TAX PLANNING with Precedents, fourth edition, by D. C. Potter, LL.B., H. H. Monroe, M.A., and Stewart Bates, M.A. xxxv + 503 pp. 10 × 6½. £3 12s 6d net (U.K. only). Sweet & Maxwell Ltd, London.

THE PRACTICE OF RETAILING, edited by Howard G. Mounsey, B.A. viii + 380 pp. 9 × 6. 30s. Postage 2s 6d extra. The Stationers' Association of Great Britain & Ireland, London.

DYMOND'S DEATH DUTIES, Fourth (Cumulative) Supplement to the Thirteenth Edition, by Reginald K. Johns, LL.B. xx + 211 pp. 9½ × 6. Card covers. 25s post free. Main work and supplement £8 8s post free. The Solicitors' Law Stationery Society Ltd, London.

A FIRST APPROACH TO ECONOMICS, by E. Victor Morgan, Professor of Economics, University College, Swansea. viii + 470 pp. 9 × 6. 22s net. Sir Isaac Pitman & Sons Ltd, London.

SYSTEM DESIGN FOR COMPUTER APPLICATIONS, by H. N. Laden, PH.D., and T. R. Gildersleeve, B.A. v + 330 pp. 9½ × 6. 57s. John Wiley & Sons Ltd, London.

# Sales Accounting by Computer

At a recent meeting of the Data Processing Discussion Group of the London and District Society of Chartered Accountants, Mr C. B. Barber, administration director of W. & R. Jacob & Co (Liverpool) Ltd, spoke about the use of a computer for sales accounting and sales statistics.

Mr Barber explained that his company manufactured forty different biscuit lines which were sold in fifty-five types of packs and distributed to customers through fourteen stock depots. The orders were in the main collected by a force of some two hundred representatives on four-weekly visits to any of 80,000 customer accounts. These orders result in the production of an average of 3,500 invoices a day.

## System Used

Referring to the procedure followed, Mr Barber said that pre-printed two-part order/delivery note sets were pre-addressed to customers at head office and sent to representatives in four-weekly batches. Representatives, when next calling on a customer, entered requirements on the two-part set. Both copies were sent to the appropriate depot for assembly and delivery, one copy being left with the customer on delivery of the goods, the remaining copy being forwarded to head office for preparation of the invoice which was sent by post to the customer. Subsequently, a statement of account was prepared for the customer and sent to the representative in time for him to collect payment on his next journey call. In addition to this general routine, orders and payments were, of course, received direct from certain customers.

The principal object to be achieved was the reduction of cost of the system, but it was also desired to improve the accuracy and speed with which the invoices were prepared and to obtain more comprehensive statistics and information about sales.

In 1957 the attention of the board of the company was drawn to the possibility of using a computer for this work, but a study of computers available at that time showed no economic solution. In early 1959, further study was made by a computer committee consisting of Mr Barber, the chief accountant, and the O. & M. officer. Reports were called for from various manufacturers, but by the end of 1959 the three schemes which had been submitted were rejected because they offered no cost advantage.

In the autumn of 1959 the *IBM 1401* was announced and a report was asked for on the possibility of using this machine. While the report was being prepared a critical review of the existing punched card and accounting machines system was undertaken to see whether this could be improved upon without using a computer. When the computer report was received it showed considerable potential savings in both cost and staff, even when the potential savings arising out of improvements to the present system had been taken into consideration. An *IBM 1401* magnetic tape system was therefore ordered in the autumn of 1960 for delivery in June 1962.

## Computer Procedure

Six people were selected from within the company for training as programmers. Each of the six programmers

did his own systems work but the computer committee took the major decisions on policy matters. Data preparation was also very lengthy and four punch operators were employed on this for some months. In addition, buildings had to be altered to suit the new machine.

The machine was delivered in June 1962, and by September 7th it was producing 3,600 invoices a day. By November the take-over of the customers' ledger accounts had been started, and the whole system of invoicing, sales ledger, and sales statistics was running satisfactorily by April 1963. Since then other work had been added to the computer load, and payroll (using the computer as, basically, a punched-card machine) had also been taken on.

The work dealing with sales, said Mr Barber, fell into four separate computer 'runs'. They were: (a) invoicing; (b) cash posting and statements; (c) sales statistics; (d) delivery notes.

The individual customers' accounts were kept on magnetic tape. Punched cards representing the program, the price list, and the delivery transactions were fed into the machine, which was also loaded with the customers' accounts tape. From the details of the transactions, invoices were prepared and simultaneously posted to the appropriate customer account, thus producing an updated accounts tape. A second run was used to post the cash received from customers to their accounts; customers' statements were also produced on this run from the updated accounts tape.

The transaction cards were then sorted and analysed to enable sales statistics statements to be produced on a third run.

On the fourth run the computer was used as an addressing machine, printing the customers' names, addresses and code numbers on the order/delivery notes which were sent to representatives.

The computer system was able to produce invoices showing the allowable discount, this having been calculated by the computer. In addition, the invoices were more accurate than was formerly the case, and as a result of these improvements correspondence with customers had been substantially reduced with a corresponding decrease in clerical costs. The invoices were prepared as quickly as under the former system, and sales statistics were now available.

The computer system, Mr Barber stated, had exceeded expectations as regards economies in both money and staff, and in addition many fringe benefits (such as reduced necessity for filing) had been obtained. It was estimated that including setting up and change-over costs, the computer installation had broken even by the end of 1963. Thus a careful study of requirements and possibilities had enabled the system to achieve substantial economies coupled with improved service.

## Discussion

In the course of the discussion that followed, Mr Barber agreed that the computer system was less flexible than the system it replaced to the extent that where some new factor or criterion was required to be introduced, there could be difficulty or delay; on the other hand, changes in existing factors (e.g. prices or discount rates) were readily accomplished.

The primary considerations when choosing the system to be adopted were cost and confidence in the machine concerned. The machine was rented, so that the inherent risk in adopting an unfamiliar routine was minimized.

Further applications being considered for the computer were stock control of finished goods and packing materials, production loading and scheduling, and raw material requirements.

The intention had been to use a relatively inexpensive machine and to perform a large number of runs on it rather than to use a larger and more expensive machine involving fewer, more sophisticated, runs. The smaller machine did create programming difficulties, but there was some value in the discipline that this

imposed. The limitations of the present machine had not so far precluded the performance of any tasks that it was desired to perform, but a larger machine was now under consideration.

The reduction of staff arising from the introduction of the machine had not caused any hardship or difficulty, due to careful forethought and planning. From the time the machine was ordered the only staff taken on were married women, who were engaged on the express understanding that their positions would be terminated in due course. In addition, some staff due to retire stayed on until the machine was working; normal wastage accounted for any remaining reductions. As might be expected, said Mr Barber, it was in the main the more junior job which tended to disappear.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, March 4th, 1964, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr Robert P. Winter, C.B.E., M.C., T.D., President, in the chair; Mr W. Guy Densom, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, H. A. Benson, C.B.E., P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, W. W. Fea, Sir Harold Gillett, Bt, M.C., J. Godfrey, P. F. Granger, J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs H. L. Layton, M.S.M., R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., S. J. Pears, F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, Sir Richard Yeabsley, C.B.E.

### Election to the Council

Mr Rupert Walton, T.D., F.C.A., Leeds, was elected a member of the Council to fill the vacancy caused by the resignation of Mr Victor Walton, F.C.A.

### Research Committee

The Council has decided that in addition to technical documents of the kind which are now issued on its authority from time to time there is also a need for documents of high standard which will stimulate thought and discussion on subjects which have not yet been explored and developed sufficiently or for other reasons are not suitable for the issue of a Council statement. The Council considers that in many cases the publication of such documents would enable thought and practice to be developed thereafter to the point where it would be practicable and desirable for work to be commenced on a particular subject with a view to the issue of a document authorized by the Council.

Accordingly the Council has appointed a Research Committee with the following terms of reference:

- (1) To select subjects for research and publication.
- (2) To select authors and appoint study groups (to be drawn from the whole membership of the Institute and, in appropriate circumstances, from outside the membership of the Institute).
- (3) To receive the resultant documents and decide whether or not to publish them (with or without amendment).
- (4) To arrange for publication where appropriate, payment of a modest financial reward to the authors and reimbursement of expenses of members of study groups.

In regard to publication it is to be understood that any document issued by the Research Committee will state in suitable wording:

- (a) that it is not a Council recommendation;
- (b) that it is a research document which is designed to put forward views, often of a controversial nature, for consideration by the profession and others interested in the topics dealt with, and accordingly, it should be understood that the Council does not necessarily agree with the views expressed.

The first members of the Research Committee are:

Sir William Carrington, F.C.A., Chairman;  
Mr John D. Russell, M.A., F.C.A., Vice-Chairman;  
Mr J. F. Allan, F.C.A.;  
Mr J. F. Bateman, B.COM., F.C.A.;  
Mr S. Dixon, M.A., F.C.A.;  
Professor H. C. Edey, B.COM., F.C.A.;  
Mr J. D. Green, F.C.A.;  
Mr J. S. Heaton, F.C.A.

The Council has created a foundation entitled 'The Research Foundation of the Institute of Chartered Accountants in England and Wales to finance the activities of the Research Committee.

### Education Committee

The Council decided to invite the following members of the Institute to serve as co-opted members of the

Education Committee: Harold Cecil Edey, B.COM., F.C.A., Professor of Accounting, London School of Economics, member of the governing body of the City of London College, and Mr Eric Varcoe Roberts, B.COM., F.C.A., Principal, Leeds College of Commerce, formerly a member of the McMeeking Committee (The Advisory Committee on Further Education for Commerce).

### **Incorporated Accountant Members**

The Council approved the terms of the following statement to be issued to all members on March 10th, 1964:

'Since the Scheme of Integration became effective, representations have been made to the Council on a number of occasions that the distinction which prevents certain former members of The Society of Incorporated Accountants who were admitted to membership of the Institute from calling themselves chartered accountants should be brought to an end.

These representations were referred to a special committee for examination. The Council has now considered the outcome of this examination (during the course of which the views of committees of district societies were sought) and has decided regretfully that it cannot support the desired change in designation.

The Council has reached this conclusion for the same reason as that which led to the decision to create a new class of membership of the Institute at the time of integration – namely, that a number of the members of The Society of Incorporated Accountants had not been trained in the offices of accountants in public practice in the United Kingdom or Ireland.

The English, Scottish and Irish Institutes of Chartered Accountants attached the greatest importance to the preservation of the fundamental principle that training in public accountancy in the United Kingdom or Ireland was a prerequisite for admission to membership. In that situation it was agreed by all three Institutes and accepted by the Society that for those members of the Society who had not received this training (approximately one-fifth of the Society's membership) there should be created a class of members of this Institute who would use the designation 'Incorporated Accountant' and the letters F.S.A.A. or A.S.A.A. Nevertheless, it was agreed to include a provision in the Scheme of Integration under which an incorporated accountant member who, after passing the required examination, had served continuously for not less than three years in England and Wales, either in partnership with or on the staff of a practising chartered or incorporated accountant, became eligible for election as an associate of the Institute.

In the course of his address to the special meeting on February 19th, 1957 (when the Scheme of Integration was adopted), the then Vice-President stressed the fundamental principle involved and expressed the Council's regret that it had been necessary to introduce a new class of membership. At the same time he pointed out that nearly all the members of the Society concerned were either members of The Institute of Municipal Treasurers and Accountants, or, if they were overseas, of the local societies of accountants in the countries of which they were resident and that for most of them their qualification as incorporated accountant was additional to their other qualification.

Both at the special meeting and in the subsequent

poll, the members of the Institute endorsed the Council's proposals. Objections directed mainly against the creation of a new class of members were made to the Privy Council. These objections were not successful.

Since the Scheme of Integration became effective in 1957, the Council has caused to be made a thorough review of the Institute's long standing system of education and training for entrants to the profession (Report of the Committee on Education and Training, 1961) and has not been apprised of any reason to change its view of the importance of the fundamental principle referred to above. Although considerable thought has been given to finding a way to meet the wishes of incorporated accountant members, the Council has been forced reluctantly to the conclusion that it could only do so by abandoning the principle considered by members in 1957 to be a basic condition for acceptance of the Scheme. The Council has decided that it cannot abandon this fundamental principle and accordingly regrets that it is unable to recommend alterations to the Royal Charters and bye-laws for the purpose of changing the designation of incorporated accountant members to that of chartered accountants'.

### **Certificate Examination in Management Information and Joint Diploma in Management Accounting Services**

The proposals for a Certificate Examination in Management Information and a Joint Diploma in Management Accounting Services will be placed before members at a special meeting following the annual meeting on May 6th, 1964, and not on April 8th, 1964, as intimated in the communication sent to members on January 22nd, 1964.

### **Income Tax Management Bill**

A memorandum on the Income Tax Management Bill was submitted on behalf of the Council to the Chancellor of the Exchequer on February 24th, 1964.

### **Some Taxation Anomalies and Practical Difficulties**

The Council received a report on a meeting with members of the Board of Inland Revenue held on February 5th, 1964, at which the Council's memorandum of October 9th, 1963, on 'Some taxation anomalies and practical difficulties' was discussed. The Institute's representatives at the meeting were Mr W. E. Parker, C.B.E., F.C.A., Mr S. Kitchen, F.C.A., Mr E. N. Macdonald, D.F.C., F.C.A., and Mr J. E. Talbot, F.C.A.

### **Form P11D**

The Council has been informed by the Secretaries' Office, Board of Inland Revenue, that it has been decided to give Inspectors of Taxes explicit discretion to accept forms P11D completed on an accounting year basis instead of an income tax year basis. The discretion will be subject to the condition that the acceptance of the forms on the accounting year basis in any particular case does not cause assessment or collection difficulties or delays, the omission of any item from assessment, or additional work in the tax office, and it may be dependent upon an employer undertaking suitable measures to avoid any such results. Inspectors will therefore still require completion of some of the forms

on an income tax year basis where the circumstances of the case make it advisable. Any agreement to use the accounting year basis will be subject to termination at the instance of either the inspector or the taxpayer.

### Eligibility for the Old Final Examination

The Council has decided that, on application, it will normally permit a candidate who has passed the Intermediate examination to apply to present himself for the old Final examination at any time after the completion of articulated service notwithstanding that an interval of less than two years may have elapsed since success at the Intermediate examination.

### Fees for New Examinations

The Council has decided that the fees payable for the new Intermediate, Final (Part I) and Final (Part II) examinations should be as follows:

	£	s	d
New Intermediate examination ..	7	7	0
New Final (Part I) examination ..	8	8	0
New Final (Part II) examination ..	9	9	0

The fees for the old Intermediate and Final examinations remain as at present, namely, £10 10s and £12 12s respectively.

### Admissions to Membership

The following were admitted to membership of the Institute:

Sandham, William Sidney, A.C.A., 1964; 3a Penallta Road, Ystrad Mynach, Hengoed, Glam.

Vaughan, Edwin Alexander, A.C.A., 1964; with Thomson McIntock & Co, 33 King William Street, London EC4.

### Fellowship

The Council acceded to applications from fourteen associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Ansell, David Thomas, A.C.A., 1960; †Geo. Little, Sebire & Co, Adelaide House, London Bridge, London EC4, and at Edmonton and St Albans.

Biggin, Charles Arnold John, A.C.A., 1962; Franklin, Greening & Co, Broomspring House, 85 Wilkinson Street, Sheffield 10, and 22 Norfolk Row, Sheffield 1.

Carrano, David Francis, A.C.A., 1959; David F. Carrano & Co, 72 Hamilton Avenue, Surbiton, Surrey.

Carter, John David Owen, A.C.A., 1962; James Carter & Sons, 14 Wood Street, Bolton; also at Manchester, John Adamson, Son & Co.

Chilvers, Frederick James, A.C.A., 1955; \*A. C. Curry & Co, 13 Grey Street, Newcastle upon Tyne 1.

Cooper, Michael John, A.C.A., 1961; 431 Crewe Road, Wistaston, Crewe, Cheshire.

Cox, Derek Ernest, F.C.A., 1951; Stoy, Hayward & Co, 97 and 99 Park Street, London W1, and at Manchester.

Crosse, Peter Leonard Hale, A.C.A., 1961; Maw, Ellis, Warne & Co, 2A Market Parade, Havant, Hants and at Waterlooville.

Doyle, Peter Anthony, A.C.A., 1963; Hilditch & Young, Barclays Bank Building, 44 Old Hall Street, Liverpool 3.

Dunbar, David Randolph Michell, A.C.A., 1962; Howell, Wade & Co, 10 Gray's Inn Square, London WC1.

Elliott, Richard Lindsay, F.C.A., 1940; F. H. Sterry & Co, 68 Park View, Whitley Bay, Northumberland.

Field, Phillip Richard, A.C.A., 1961; Cedar, Baker & Co, 65 Bishopsgate, London EC2.

Gibb, Ian Grant, F.C.A., 1951; Grant Gibb & Co, Northgate Chambers, Jewry Street, and 37 Berewecke Avenue, Winchester.

Harden, John Albert Hilary, A.C.A., 1957; 2 and 3 Chancery Lane, London WC2.

Harris, Ian Edward Lorimer, A.C.A., 1956; Tribe, Clarke & Co, Albion Chambers, Small Street, Bristol 1; also at London, Tribe, Clarke, Painter, Darton & Co, Rochester and Sittingbourne, Tribe, Clarke, Darton & Pollock, and Swansea, Tribe, Clarke, Montgomery Williams & Co.

Jackson, John Patrick, F.C.A., 1950; H. S. Baker & Co, 147 Bletchley Road, Bletchley, Bucks, and at Stony Stratford and Woburn Sands.

Jones, Ivor Glyn, F.C.A., 1933; Glyn Jones & Co, P.O. Box 2248, Bulawayo, Southern Rhodesia.

Kanter, Cyril, A.C.A., 1962; Cyril Kanter & Co, 341 Regent's Park Road, London N3.

Kyle, Christopher Dougal, A.C.A., 1961; Kyle & Co, 9 Victoria Place, Carlisle, Cumberland.

Lerner, Stanley Jack, A.C.A., 1957; Stanley J. Lerner & Co, 6 Linkside, Woodside Park, London N12.

Levitt, Clifford Edgar, F.C.A., 1949; 31 Princess Street, Manchester 2.

McNay, Barrie, A.C.A., 1959; Harrison, Hill & Co, 196 High Street, Bromley, Kent.

Maple, Frederick James, A.C.A., 1960; Maple & Co, 113 Elmsleigh Avenue, Kenton, Harrow, Middx.

May, Spencer Hedley, A.C.A., 1963; Hartley, Keen & Co, 77/79 High Street, Southend-on-Sea, Essex.

Mayoh, William, F.C.A., 1928; 79 Piccadilly, Manchester 1, and at Bramhall.

Noakes, Peter John, A.C.A., 1963; H. O. Bennett & Co, 46 Unthank Road, Norwich, NOR28E.

Pantooock, Chester Maurice, A.C.A., 1960; 3 Queen Victoria Avenue, Hove 4, Sussex.

Patterson, John Richard Spencer, A.C.A., 1958; J. & A. W. Sully & Co, 16 King Square, Bridgwater, Somerset, and at Barnstaple, South Molton and Yeovil.

Reid, James Richard Arthur, A.C.A., 1958; \*Cartwright, Pyke & Co, Lloyds Bank Buildings, Fratton Bridge, Portsmouth and at Havant.

Roblin, John Anthony, A.C.A., 1962; Jones, Roblin & Co, 29 Splott Road, Cardiff.

Sexton, Richard Herbert, A.C.A., 1956; Richard Sexton & Co, 6 Lion Walk, Colchester.

Skinner, John, A.C.A., 1956; J. B. Walker & Co, 313 High Street, Lincoln.

Smith, Barrie Edwin, A.C.A., 1959; Franklin, Greening & Co, Broomspring House, 85 Wilkinson Street, Sheffield 10, and 22 Norfolk Row, Sheffield 1.

Stanton, Stuart Maurice, A.C.A., 1963; S. M. Stanton & Co, 25 Cranbourne Gardens, Temple Fortune, London NW11.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member.'

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.



Storey, Ernest Robert, A.C.A., 1962; 21 Clacton Road, Walthamstow, London E17.

Terras, Christopher Richard, M.A., A.C.A., 1962; Swanwick, Terras & Co, and Abbott & Son, 64 Cross Street, Manchester 2.

Thompson, John, A.C.A., 1959; P. F. Pierce & Co, 13 Cannon Street, Accrington, Lancs.

Todd, Donald John, F.C.A., 1953; \*Edwin V. Nixon & Partners, and \*Arthur Young & Company, Trustee Chambers, 401 Collins Street, Melbourne C1, Victoria, Australia; for other towns see \*Edwin V. Nixon & Partners and \*Arthur Young & Company.

Trew, Gordon Alexander, A.C.A., 1960; Pannell Fitzpatrick Graham & Crewdson, P.O. Box 268, Bathurst, Gambia, West Africa.

Turberfield, David, A.C.A., 1961; \*Griffiths & Pegg, 42/43 Reddal Hill Road, Cradley Heath, Staffs, and at Old Hill.

Upshall, Brian Peter, A.C.A., 1961; Tems & Co, 7 St John's Street, Salisbury, Wilts, and at Bournemouth.

Warburton, Leslie Anthony, A.C.A., 1956; Healey & Yates, 69 Sankey Street, Warrington, Lancs.

Warren, Anthony Brian, A.C.A., 1963; Howell, Wade & Co, 10 Gray's Inn Square, London WC1.

Webb, David Alan, A.C.A., 1960; Selbey, Smith & Earle, 6 Bedford Row, London WC1.

Welch, John Reginald, A.C.A., 1962; Overton, Salt, Hands & Co, 50 Aldridge Road, Perry Barr, Birmingham, 22b.

White, David John, A.C.A., 1963; 72 St Margaret's Road, Lowestoft.

Williams, Geoffrey, F.C.A., 1953; Beal, Young & Booth, 9 Cumberland Place, Southampton, and at Eastleigh.

Wills, William Eric, A.C.A., 1963; \*Johnson, Smith, Wills & Co, 74B East Hill, St Austell, Cornwall, and at Newquay.

Wright, Donald Alec, A.C.A., 1957; \*Pannell Fitzpatrick Graham & Crewdson, Colonial Building, 72/74 South Quay (P.O. Box 158), Port of Spain, Trinidad.

Zeital, Raymond Samuel, A.C.A., 1963; Joyce & Zeital, 44 Ravensdale Avenue, North Finchley, London N12, and at Kenton.

#### Re-admission to Membership

One application under clause 23 of the supplemental Royal Charter for revocation of exclusion from membership was refused.

#### Change of Name

The Secretary reported that the following change of name has been made in the Institute's records:

Ameerally, Rahemtulla Kassim to Ameerally, Rahemtulla Kassim-Lakha.

#### Resignations

The Council accepted the resignations from membership of the Institute of:

Moore, Wilfred York, F.C.A., 1920; 29 Blackbrook Lane, Bickley, Kent.

Wade, Kenneth, F.C.A., 1927; Anzac House, Whitecroft, Lydney, Glos.

#### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Frederick Vernon Arnold, F.C.A., Brighton.

„ John Baldock, F.C.A., Grantham.

„ Gerald Oscar Boundy, F.C.A., Burnham-on-Sea.

„ Robert Arthur Butt, F.C.A., Weston-super-Mare.

„ Ernest Charles Clay, F.S.A.A., Mitcham.

„ Ernest James Fawn, F.C.A., York.

„ Alfred Fielding, F.C.A., Ormskirk.

„ George Frederick Galpin, F.C.A., Hadleigh, Essex.

„ Gordon Hunter Yeats Grant, F.C.A., Southampton.

„ Frank Bayliffe Henderson, O.B.E., F.C.A., British Guiana.

„ Philip Graham Hill, F.C.A., St Ives, Huntingdon.

„ Arthur Edward John Holland, F.C.A., Newport, Mon.

„ Edward Henry Keyte, F.S.A.A., London.

„ John Herbert Norris, F.C.A., Blackburn.

„ Frederick William Poulson, F.C.A., Birkenhead.

„ Stanley Fergusson Shuttleworth, F.C.A., London.

„ Laurence Arthur Wynne Simmons, F.C.A., Cheam.

„ Charles Henry Smith, F.C.A., London.

„ Arthur Henry Tucker, F.C.A., London.

„ Ernest Turner, F.C.A., London.

„ Walter Edward Withnall, F.C.A., Birmingham.

„ Albert Edmund Wood, F.C.A., Hereford.

#### Mr F. M. Wilkinson, Joint Secretary

The chairman of the Organization Subcommittee reported that Mr F. M. Wilkinson, Joint Secretary, had been granted three months' sick leave with effect from March 2nd, 1964.

In the meantime correspondence normally addressed to Mr Wilkinson should be addressed to Mr Evan-Jones.

## FINDING AND DECISION OF THE APPEAL COMMITTEE

*Finding and Decision of the Appeal Committee of the Council of the Institute at a hearing held on February 5th, 1964.*

The Appeal Committee heard an appeal against the Finding and Decision of the Disciplinary Committee of the Council of the Institute upon the following formal complaint preferred by the Investigation Committee of the Council to the Disciplinary Committee that Richard Freame-Baker, F.C.A., had been guilty of acts or defaults discreditable to a member of the Institute within the meaning of sub-clause (3) of Clause 21 of the supplemental Royal Charter in that (a) despite requests made to him by the accountants to Mrs X, he failed within a reasonable time to complete outstanding work and supply information in regard to the affairs of Mr X, deceased and a limited company, notwithstanding that at a hearing of the Disciplinary Committee on January 2nd, 1963, he was reprimanded for having failed within

a reasonable time or at all to deal with or hand over the books and papers relating to the affairs of the said Mr X, deceased and the limited company; and (b) he failed to reply to, or take any action in regard to, four letters addressed to him on this matter by an Under-Secretary of the Institute so as to render himself liable to exclusion or suspension from membership of the Institute. The committee affirmed the Finding of the Disciplinary Committee that the formal complaint had been proved under both headings and the committee affirmed the Decision of the Disciplinary Committee that Richard Freame-Baker, of White House, 15 Fish Street Hill, London EC3, be excluded from membership of the Institute.



## Golfing Society's Dinner

Two Ryder Cup players and the President of The Institute of Chartered Accountants in England and Wales were among the guests entertained at a dinner of the Chartered Accountants' Golfing Society at the Café Royal, London, on Wednesday of last week. Mr Donald V. House, F.C.A., was in the chair.

Replying to the toast of 'The Society' proposed by Mr W. J. Glover, of the Bar Golf Society, the Captain, Mr H. C. Staines, F.C.A., said that the Society was founded in 1898; there were now some three hundred and fifty members – approximately 1 per cent of the Institute's membership – of whom about one hundred were regular supporters. He expressed appreciation of the work done on behalf of the Society by the honorary secretary, Mr Eric H. Head, F.C.A.

Welcoming Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., the President of the Institute, who comes from Newcastle, Mr Staines said it was on record that King Charles stayed in Newcastle in 1645 and played golf there. Mr Staines also welcomed Mr John Jacobs and Mr Sid Scott, both Ryder Cup players.

Mr Jacobs responded to the toast of 'The Guests'.

At the Chartered Accountants' Golfing Society dinner last week (left to right): Mr E. H. Head, F.C.A., *Honorary Secretary*; Mr D. V. House, F.C.A., *Vice-President of the Society*; Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., *President of the Institute*; Mr John Jacobs; Mr H. C. Staines, F.C.A., *Captain of the Society*.



Left to right: Mr C. I. Steen, F.C.A.; Mr W. J. Glover, *Secretary, Bar Golfing Society*; Mr F. R. Furber, *Secretary, London Solicitors' Golfing Society*; Mr H. L. Pitt, A.C.A.; Mr W. F. Eva, C.A.; and Mr R. Wood, C.A., *Captain and Secretary, respectively, of the Association of Scottish Chartered Accountants in London Golf Club*.

## Students' Dinner

The annual dinner of The Manchester Chartered Accountant Students' Society was held at the Midland Hotel, on March 5th, with the President of the Society, Mr R. Y. Taylor, B.A., F.C.A., in the chair.

Mr J. C. Wood, LL.M., senior lecturer, Faculty of Law, at Sheffield University, who proposed the toast of 'The Society', said that it was not only every student's duty to pass examinations, but to be prepared at a later stage to train future students who could rely on them for the knowledge they would impart. The President responded.

The toast of 'The Institute of Chartered Accountants in England and Wales' was proposed by Rabbi P. Selvin Goldberg, M.A.

Mr J. A. Jackson, F.C.A., a member of the Council of the Institute, responding to the toast, referred to the Institute's history. He recalled that three of the original seven petitioners for the Royal Charter were Manchester men.

Since those early years, said Mr Jackson, income tax had become more important and complex and there had been a new approach to management accountancy.

**Versatile Copier**

A NEW four-use copier – the *Sahara* – is announced by Ofmex (TD) Ltd. First, it will produce – without chemicals – a dry copy of any black and white original, whether printed, typed, written or drawn, in a few seconds.

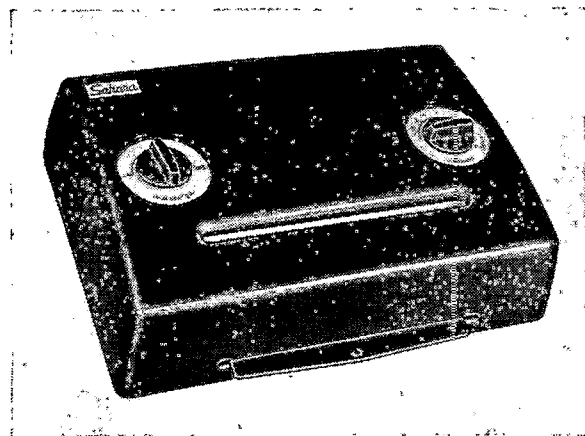
Secondly, it will produce hectographic masters for spirit duplicating, by a dry and clean procedure, from any black/white original. The original is placed with a *Sahara Master Carbon Unit* in a transparent plastic carrier, which is passed once through the *Sahara Copier*. The hecto carbon is peeled away and the master is then ready for running on any spirit duplicator.

The *Sahara Dry Copier* can also be used for the production of paper masters for small offset-litho machines.

The versatility of this machine does not end with these three general office copying techniques. By the use of a *Copy-king* film, available in handy quarto and foolscap packs, it can also be used for lamination of documents which are liable to undergo continuous handling.

Price: £79.

Ofmex (TD) Ltd, Ofrex House, Stephen Street, London W1.



*Sahara Dry Copier.*

**For Dictating while Flying**

BRITISH Overseas Airways Corporation have approved the use of both the *Dictaphone Travel-master* and *Dictet* recording machines in their aircraft while they are in flight. To obtain this approval the two machines had to pass stringent tests called for in British Standard BS/2G/100 regarding limits of radiated interference. This requirement is in addition to meeting the American military specifications MIL/1/16910A and MIL/1/17623.

The tests are necessary to ensure that the use of privately owned electrical equipment does not interfere in any way with the safety of aircraft in the air, especially with the aircraft's navigational aids. Approval for the use of these machines in aircraft was given by British European Airways and other international airlines last year.

The *Travel-master*, a lightweight (5 lb.), small (8½ by 6 by 2 in.) recording machine is designed for the recording of letters, reports and notes away from

# New Office

the office. Powered by nickel-cadmium batteries, the *Travel-master* uses the same recording medium, the *Dictabelt* record, as is used by *Dictaphone Time-master* dictating and transcribing machines. The batteries give four hours' continual recording time before needing recharging, effected by a trickle charger plugged into any a.c. mains from 110 to 240 V.

Price of *Travel-master*: £105 (without carrying case).

Dictaphone Co Ltd, 17 Stratford Place, London W1.

**For Folding Roll Stationery**

BY means of the *Zig-Zag* folding machine, it is possible to turn printed stationery in roll form into a neat flat pack suitable for binding as a book before it is filed.

With the *Zig-Zag*, continuous stationery from such machines as adding listers, cash registers, teleprinters and computers can be folded concertina style and then bound for storage. Similar treatment can be given to rolls of graph paper from recording instruments for, say, electrocardiograms in hospitals, seismic records and the like in laboratories.

The *Zig-Zag* folding machine, which is hand-operated, comes in two sizes, for rolls up to 7½ in. (200 mm.) and 13½ in. (350 mm.).

Halsby & Co the suppliers, are also offering a simple binding aid, so that folded *rolls* can be adhesive bound down one side in order to make up a record book. The adhesive is applied in such a way that the book opens flat and thereby all the recorded data are legible.

Price: *Zig-Zag* for 7½ in. rolls: £75; for 13½ in. rolls: £87 10s. Binding equipment: £17 10s.

Halsby & Co Ltd, 52 Dean Street, London W1.

**Eraser for Tape Recordings**

A DEVICE that enables a reel of magnetic tape to be cleared of all traces of recorded matter within a few seconds is available from Felcort Ltd.

Known as the *Bulk Tape Eraser*, it is suitable for all sizes of tape reels, including the cassettes of most office dictating machines. The reel of tape to be erased is placed on a flat non-metallic surface and the eraser is connected to a mains supply. Pressure on a switch creates a varying magnetic field of 50 cycles which radiates from the device. This is then placed down on the tape reel and moved over it for a few seconds; after this, the procedure is repeated on the other side of the reel and erasure is complete.

Perhaps the most important advantage of the eraser is the security it affords the user. Risk of unauthorized play-back of confidential material is eliminated; messages can be wiped off the tape without the need to record over previous matter or the need to wait for the tape to run through a machine to obtain erasure.

Furthermore, regular use of erasure will ensure crisp and clear recordings without background.

Price: £3 12s 6d.

Felcort Ltd, 251 Edgwarebury Lane, Edgware, Middlesex.

## Equipment

## Portable Recorder

**COMPACT** is the name given to a Japanese-made portable dictation machine from Offinac Ltd. The machine, which weighs 5 lb. complete with carrying case and microphone, measures 7½ in. by 6 in. by 2½ in. It is battery-operated, but alternatively can be powered by a mains unit and has a recording time of over 70 minutes on each of two tracks.

Three models of the *Compact* are available. The standard version has two tape speeds, 1½ i.p.s. and 3½ i.p.s. making its recordings changeable with any other dictating machine or tape recorder that uses either of these two tape speeds.

Also available are the *Compact S* and *P* models which have been designed so that the recordings can be played back on the Stenorette and the Phillips office-dictation machines. However, a foot control and earset are available so that the *Compact* can itself be used as a transcribing machine if necessary.

It is possible to hire a machine on a five-year contract at an approximate rental of 6s 6d a week.

Price: Standard *Compact*: £44 12s 6d. Model *S* or *P*: £49 17s 6d.

Offmac Ltd, 18 Wandle Court, Bridges Lane,  
Beddington, Surrey.

## Booking for Hoteliers

**A**N advance-booking system for small- and medium-sized hotels and boarding houses has been introduced by Twinlock. Details of bookings are recorded on overlapping cards so that vital information is always to view concerning each room for a period of six months.

The card record names, addresses, rates, deposits, amount due, room number, dates, etc. and because they are loose-leaf cards, the system is continuous and can always be updated. The cards are housed in a metal frame which can be fixed easily to a wall and a clear-plastic cover protects the records when not in use.

[illegible]

*Section of the Twinlock Hotel Booking Chart.*

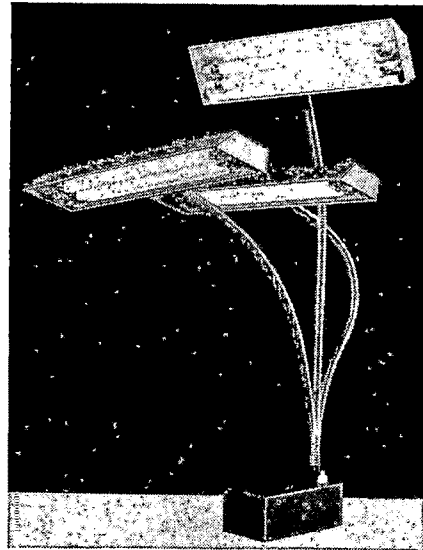
Two models are available, one catering for up to ten rooms and the other for up to fifteen. If the number of rooms exceeds fifteen then two or more charts can be used.

Price: Ten-room chart £4 18s; Fifteen-room chart £6 2s 6d.

Percy Jones (Twinlock) Ltd, Twinlock Works,  
Beckenham, Kent.

## Desk-top 'Tubes'

**F**LUORESCENT tubes give more even illumination than bulbs and are cheaper to run. These two factors have played a leading part in the use of tubes for most office lighting. But the use of tubes for desk lamps has been limited by the fact that there are few desk units equipped to take tubes.



*New Fluoro Desk Lamp.*

*Fluoro* is the name given to a new desk-top unit from Morleys Electrical Services. It is fitted with a flexible arm which can be positioned so that the light from two 12 in. 8 w. tubes is directed where desired; with these tubes twenty hours' light costs about a ¼d. The heavy cast base contains an on/off switch and 240 V. control gear. The finish of the *Fluoro* is silver or bronze and models are available for 9 in.-6 w. and 6 in.-4 w. tubes. Each unit comes complete with 10 ft of three-core cable.

Price: £6 4s (including purchase tax but not tubes).  
Morley Electrical Services, Lowman Road, London  
N7.

### For Slitting the Envelopes

A SIMPLE hand-operated letter opener has been introduced by Pitney-Bowes Ltd. Known as the *Mail Opener*, it measures 16½ in. by 3½ in. by 2½ in. and consists of a spiral cutting blade encased in a protective cover. The blade is operated by a lever, the action of which cuts a sliver from the edge of an envelope in a fraction of a second.

Price: £.30.

Pitney-Bowes Ltd, Harlow, Essex.

# The Profession and Management Accounting

Speaking in Sheffield on March 5th, Mr S. L. Waide, managing director of Newton Chambers & Co Ltd, asked what sort of public image the profession had acquired in the eighty-four years since the founding of the Institute.

Mr Waide, who was proposing the toast of 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the Sheffield and District Society of Chartered Accountants held at Cutlers' Hall, said that the fact that all businesses, even very small ones, kept complete accounts, must not be attributed to a universal appreciation of the business advantage of accountancy. Many business men, rightly or wrongly, would content themselves with much less accounting if it were not for the income tax authorities.

The profession, despite its great prestige, was still very much in the development stage, Mr Waide declared. On the one hand many new problems had to be solved – such as those arising out of the growth of the holding company form of organization. On the other hand, work remained to be done on existing problems, such as profit measurement and cost analysis, and the profession was alive to this.

## Place of the Universities

He went on to say that perhaps the most important point of all was the growing recognition of the part that universities could play in providing a liberal education adapted to the needs of future accountants. First-class brains were essential in accountancy to assist management not only in day-to-day management, but in projecting the financial implication of management policies. It was there that the Institute, in concert with other bodies, had rejected professional complacency and moved into realistic, positive forward-thinking. It was intended in future that there would be a post-qualification diploma in management accounting. Accountants would be trained so that they could apply accounting knowledge in the organization, selection, compilation and presentation of accounts and in using quantitative and statistical information derived from all relevant records. It would assist those responsible for controlling a business in making day-to-day decisions and formulating policies.

Responding, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of the Institute, said they were very conscious at the Institute of the problems facing the profession today. The Institute, he said, had started on the theoretical training of articled clerks. There had been a tremendous increase in membership

and it was hoped to promote help or tuition through colleges of further education run by local authorities. It was felt, said Mr Winter, that during the first year, if any articled clerk had not found his feet, he would greatly benefit if he had some oral tuition and as a result would better appreciate what he was doing.

After referring to the Institute's electronic data processing courses to be held at Brighton in May, and the likelihood that at the end of the century membership of the Institute might be 100,000, Mr Winter said that they had to think of the future in regard to education and training. He went on:

'In recent years the Council has emphasized the importance it places on the use of the techniques of management accounting in helping to promote higher productivity and efficiency in industry and commerce. Some members specialized in this field, but it was felt that more members should extend their knowledge.'

'The Council had decided to provide a positive incentive by the introduction of a new examination which members could take in the early years after qualifying. Successful students would be awarded a certificate in management information. For those who wished to specialize at a very high level, the Joint Diploma in Management Accounting Services had been established.'

Sir Julian Pote, J.P., F.C.A., F.C.I.S., chairman of the Steel Company of Wales Ltd, in proposing the toast of 'The City and Trades of Sheffield', took the view that individuals did their best in a system which rewarded enterprise and penalized inefficiency.

Capacity, in his experience, was always below what was possible. Nothing made people go weaker at the knees, he said, than the suggestion that their personal capacity was not fully employed.

## Redevelopment of Sheffield

Responding, the Lord Mayor of Sheffield, Alderman Isadore Lewis, said Sheffield had shown the way in regard to redevelopment from many aspects. It was difficult to redevelop a very old city and fix the pattern for the new decade, but it was essential to realize that any decisions made today could affect living, not only in the next decade, but for many years ahead.

Mr W. B. Douthwaite, B.A., F.C.A., President of the Society, proposed the toast of 'The Guests', and Mr T. H. Burleigh, President of the Sheffield Chamber of Commerce, responded.

Mr H. L. Watson, J.P., F.C.A., Vice-President of the Society, expressed appreciation of Mr Douthwaite's work as President and congratulated Mr E. E. Vessey, F.C.A., hon. secretary of the dinner subcommittee, on the arrangements for the occasion.

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## REVALUATION OF ASSETS

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# Notes and Notices

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at City House, 56-66 Goswell Road, London EC1, at 2.15 p.m. on Wednesday, March 25th.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES E.D.P. Residential Courses

As announced under 'Courses and Conferences' in our last issue, The Institute of Chartered Accountants in England and Wales has arranged to hold three consecutive electronic data processing residential courses at the Grand Hotel, Brighton, during the period May 21st-28th.

Designed to give members with little or no experience of computer applications an appreciation of an E.D.P. system and to assist those in practice who encounter computer installations to improve their audit planning, the courses will be identical, each catering for approximately thirty-five members. The courses will open with a general description of a computer followed by a case study and lectures. After a second case study the proceedings will conclude with a brief examination of the position of the accountant and auditor of the future. Lectures will be given on:

'What a computer system is', by Messrs R. P. Brown, F.C.A., F. Clive de Paula, T.D., F.C.A., and E. L. S. Weiss, A.C.A. 'What computer planning is', by Mr A. de Agapeyeff, A.C.A. 'How a computer is used', by Mr J. P. Hough, A.C.A. 'How a computer system should be controlled', by Mr J. H. Wackerbarth, F.C.A. 'Considerations of external audit', by Mr M. A. Charlton, F.C.A. 'The accountant and auditor of the future', by Mr D. W. Hooper, M.A., F.C.A.

It is of interest to members to note that the timetable of each course has been arranged so that no member will lose more than four working days excluding Saturday. The first course will run from May 21st-26th, the second from May 22nd-27th, and the third from May 23rd-28th.

The fee for the course is £42 and applications to attend should be made to the Secretary of the Institute.

## FARM BUSINESS RECORDS BOOK

The Ministry of Agriculture, Fisheries and Food and the National Farmers Union announced last week the introduction of a national *Farm Business Records Book*, which is available from the N.F.U., through its county branches, price £1 1s. At the same time the Ministry has issued an explanatory booklet, *Farm Business*

*Records*, describing the business analysis methods used by the National Agricultural Advisory Service in its farm management advisory work.

Commenting last week on the introduction of these two publications, the Director of the N.A.A.S., Mr W. E. Jones, emphasized the importance for farmers of keeping adequate physical and financial records if sound management decisions were to be made. It was in helping the farmer to reach these decisions that the Ministry and the N.F.U. placed so much importance on farm management advice. The scope and extent of this kind of advice, however, was determined by the kind and suitability of the records kept. Accordingly the Ministry with the help of university economists and after consultation with the N.F.U. and The Institute of Chartered Accountants in England and Wales, had designed a set of farm business records for use throughout England and Wales.

The *Farm Business Records Book* is in loose-leaf binder form in three sections:

**Section I.** Physical records. This section enables farmers to record basic information about the farm business, including stocking and cropping, valuation of machinery and fixtures and, of particular importance, details of feed use.

**Section II.** Financial records. The forms in this section are intended primarily for the farmer who wishes to improve his method of recording financial transactions. The method recommended is the conventional system of cash analysis.

**Section III.** Variable costs. This section is designed to assist in allocating farm costs between different enterprises. With this additional information, the gross margins from the individual enterprises can be calculated.

The explanatory booklet *Farm Business Records* is available from N.A.A.S. county and district offices and N.F.U. county secretaries. It is in two parts: the first describes methods of account analysis and gross margin analysis, and the second describes the records required for the business approach to management. Also included are examples of farm business records.

## MANAGEMENT OF LOCAL GOVERNMENT

### Municipal Treasurers appointed to New Committee

Mr W. G. Cocks, C.B.E., F.S.A.A., F.I.M.T.A., County Treasurer of Glamorgan County Council, and Mr P. J. Timms, A.I.M.T.A., D.P.A., establishment and O. & M. officer to Devon County Council, have been appointed by the Minister of Housing and Local Government as members of a new committee on management of local government.

The committee, which will be under the chairman-

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ship of Sir John Maud, G.C.B., C.B.E., the Master of University College, Oxford, is to report on how, in the light of modern conditions, local government might best continue to attract and retain people of the calibre necessary to ensure its maximum effectiveness. The committee will review also the sources from which councillors are drawn, their age groups, and the willingness or unwillingness of people from different backgrounds to serve in local government.

### UNIVERSITY APPOINTMENT

#### Chair of Accountancy, University of Glasgow

Mr David Flint, T.D., M.A., B.L., C.A., a partner in the firm of Mann Judd Gordon & Co, Chartered Accountants, of Glasgow, has been appointed to the Johnstone Smith Chair of Accountancy at Glasgow University. He succeeds Professor Robert Browning, C.B.E., M.A., LL.B., whose tenure of the Chair expires on September 30th. Mr Flint, who was admitted to membership of The Institute of Chartered Accountants of Scotland in 1949, lectured in accountancy at Glasgow University from 1950 to 1960.

### CONGRESS ON AUTOMATIC CONTROL

The Executive Council of the International Federation of Automatic Control has accepted the invitation of the United Kingdom Automation Council to hold the third I.F.A.C. International Congress in London from June 20th-25th, 1966. The English and Scottish Institutes, The Association of Certified and Corporate Accountants and The Institute of Cost and Works Accountants are all represented on the Automation Council.

The first international congress on automatic control was held in Moscow in 1960 and the second in Basle in 1963. Through the co-operation of industry, Government departments and universities, British work in the field of automatic control was well represented at both congresses and a large number of delegates from the United Kingdom attended.

The 1966 congress is expected to attract at least 1,000 foreign control engineers to London from more than thirty different countries. As the United Kingdom is the host, it is important for British prestige that the congress shall not only be a success both technically and socially, but also that the British contributions both in the form of technical papers and in discussion shall be at the highest possible level.

Dr. J. M. S. Risk, B.COM., PH.D., C.A., F.C.W.A., F.C.I.S., F.B.I.M., a member of the Executive Committee of the United Kingdom Automation Council, and a member of the Council of The Institute of Cost and Works Accountants, has accepted an invitation to be a member of the Organizing Committee. Dr Risk has also accepted an invitation to be a member of the Technical Programme Committee for the Congress.

Mr Derek du Pré, Honorary Treasurer of the United

Kingdom Automation Council, and Secretary of The Institute of Cost and Works Accountants, has accepted an invitation to be a member of the Congress Organizing Committee, and its General Purposes Committee.

### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

#### Luncheon Meeting

The final luncheon meeting of the 1963-64 session of the London and District Society of Chartered Accountants will take place next Tuesday at the Connaught Rooms, Great Queen Street, London WC2, at 12.30 for 1 p.m. The guest speaker will be Sir Thomas Robson, M.B.E., M.A., F.C.A., a past president of the Institute of Chartered Accountants in England and Wales, and a Vice-President of the *Union Européenne des Experts Comptables, Economiques et Financiers*.

### DOUBLE TAXATION: LEBANON

The arrangements between the United Kingdom and the Lebanon for the avoidance of double taxation of shipping and air transport profits were published last week as a schedule to an Order in Council numbered S.I. 1964, No. 278.

### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

Dr Ted Williams, from Uganda, will give an address on 'The Christian challenge in Africa' at 6 p.m. on Thursday next, March 19th, in the Committee Room of The Institute of Chartered Accountants in England and Wales, Moorgate Place, EC2. All who may be interested will be welcome.

### MANAGEMENT GAMES COMPETITION

A series of management games organized by the British Junior Chambers of Commerce to train young management executives in decision taking is to be held during the year commencing early next month in seven regional areas comprising the South-east; South-west and South Wales; Midlands; East Midlands; North-west and Northern Ireland; North-east; and Yorkshire.

Twenty-seven teams will take part, each consisting of four to eight participants functioning as a board of directors. There will be three rounds on a 'knock-out' basis to decide the eventual winner. The games will be played on I.B.M. 1401 computers situated in industrial, commercial and administration organizations throughout the country, and will represent real life situations covering most business aspects.

Further information is obtainable from the chairman of Management National Games Committee, Mr J. H. Brady, c/o A. R. Stenhouse (Northern) Ltd, 8 Exchange Street, Manchester 2.

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## Estate Duty Avoided

A DECISION of the High Court last week has established the efficacy of a neat device for avoiding estate duty on the death of a life-tenant.

Take the very commonplace situation of a substantial fund being held upon trust for a woman for her life, with an absolute reversion to her children on her death. If the exemption granted on the death of a surviving spouse does not apply, then in the normal course of events the whole fund will pass on the woman's death and attract estate duty.

If she releases her life interest, she will have to survive the statutory five years before the duty can be avoided. Moreover, the release must not be accompanied by any alternative benefit to her, and she may well be unable to afford such a release. If she purchases the reversions, then she will still have to survive the five years if estate duty on the purchase money is to be avoided, while, of course, the fund itself will pass on her death.

Assuming that the reversioners are of age, they can assign to her, out of their reversions, the income of the fund for a fixed period so that instead of merely being entitled to the income up to her death, she or her estate is entitled to it for a period which extends beyond her death. It follows that when she in fact dies, there is no change of entitlement to the income occurring on her death. Before her death the income is paid to her; after her death and for a known period it continues to be paid to her executors.

What then passes on her death for estate duty purposes? Is it (i) the whole fund, or (ii) only the actuarial value of the right to receive the income from it for that fixed period which, of course, will be far less than the value of the whole fund? Where the assignment is made at the time of the life-tenant's last illness, the fixed period may be made to be very short indeed. After all, the reversioners can always assign some more income when the period is coming to an end and the life-tenant is still alive.

Mr Justice BUCKLEY has now held in *Re Ralli's Settlements* (as reported in *The Times* of March 12th), despite strenuous arguments by the Inland Revenue, that (ii) is the right answer. The facts in that case were that funds under a marriage settlement were held for Mrs RALLI for her life, reversion to her grandsons. On December 5th, 1961, they assigned to her the income which should arise after her death and before 1966, to the intent that this should merge with her life interest. She died on December 24th, 1961. The Court held that the whole fund did not pass under section 1 or section 2 (1) (a) of the Finance Act, 1894, nor was it deemed to pass under section 43 of the Finance Act, 1940.



## The U.E.C. Standing Committees

**A**T the first meeting of the Union Européenne des Experts Comptables, Economiques et Financiers (U.E.C.) on November 17th, 1951, the Council unanimously adopted a proposal to set up permanent working committees. The French delegation, from which the proposal emanated, justified it in these words:

'If an international association is to function in a really effective manner, continuously and on as large a scale as possible, without neglecting any of the questions with which it is properly concerned, the organization of its work must be localized so that it is not concentrated in a general secretariat, but each country may be given the responsibility for one branch of its work and attempt to co-ordinate in some way whatever goes on in that area.'

This led to the formation of a number of standing committees to deal with: accounting terminology; accounting techniques; accounting law; budgetary control; auditing; taxation; economic and financial research; financial mathematics; theoretical and historical research; Government accounting; publications; organization of the profession; and professional education and training.

Under the constitution which governed the U.E.C. prior to March 31st, 1963, the Executive Committee had the responsibility for advising THE PRESIDENT on the formation and composition of the permanent committees; the new statutes place this responsibility upon the Assembly of Delegates (Art. V, paragraph 5 (c)).

### Published Works

Up to the present time the U.E.C. has published the following:

*Lexique U.E.C.* - a technical dictionary in five languages (German, American-English, Spanish, French and Dutch).

*L'Evaluation des Entreprises et Parts d'Entreprises* (Business Valuations and Share Valuations) (German and French).

*Le Manuel Européen de Revision Comptable* (European Auditing Manual) (German and French).

The *Actes* (proceedings) of the four U.E.C. congresses held in Florence (1953), Brussels (1955), Nice (1958) and Zürich (1961).

The work of the permanent committees is organized by their respective presidents, in collaboration with the U.E.C. PRESIDENT, with particular reference to the needs of the congresses for which they prepare the necessary documentation.

Periodically, details of this work appear in the U.E.C. publication, *La Vie de L'U.E.C.*, Number XV of which, published recently, gives information about preparations which are in hand for this year's congress in Vienna. Although the British, Dutch and Scandinavian member-bodies of U.E.C. are not actively participating in the preparations for the congress or in the presentation of papers, they will provide discussion leaders at the congress itself. In addition, they will be receiving full details of the reports of the permanent committees to be submitted at the congress so that they will be in a position to contribute effectively to the congress discussions.

### Budgetary Control

For the first of the three congress topics, 'budgetary control as an instrument in the management of businesses', the committees on budgetary control and economic and financial research are each preparing papers.

The committee on budgetary control is to present some French experiences in this field and the conclusions which can be drawn from them. The use of ratios in Germany and aspects of budgetary control and auditing in the U.S.A. will also be covered. New techniques relating to dynamic standard costs, employee remuneration and the budget, and the possibilities and limitations of involving employees in budgeting will be dealt with. This will lead to consideration of the collaboration necessary between accountants and other consultants in investigations.

The committee on economic and financial research is devoting attention to long-range planning and will cover the following matters:

- Advantages, limits and dangers of long-range budgets;
- Different types of business budgets;
- Accounting and statistical elements required;



Micro-economics and macro-economics in business forecasting;  
 Use of econometrics;  
 The time factor in budgeting;  
 Diagnosis of historical facts;  
 Methods and forms of long-term financing available (European comparison);  
 Depreciation in relation to long-range budgets;  
 European comparison of depreciation policies (research project);  
 Business budgets in relation to national and regional planning.

### European Chart of Accounts

The second congress subject, the study of a standardized European plan (or chart) of accounts, is being undertaken by the committees on accounting techniques and economic and financial research. A draft European chart of accounts has been developed, and this is being studied in relation to suggestions on classification which were made at the Florence congress in 1953.

In this chart, five classes are reserved for the balance sheet, three for the profit and loss account and two are left free. Odd numbers would be used for accounts normally found in debit; even numbers for those normally in credit. Difficulties arising from this suggestion and differences between the chart and the French *Plan Comptable National* will be the subject of a report to the Vienna congress by the president of the committee on accounting techniques.

The research committee has attempted to lay down conditions which a European chart of accounts must meet. They are:

- (a) the movements of all accounts, or at least of certain groups of accounts, must be shown;
- (b) debtors, creditors and other personal accounts must be grouped by sector of the economy, to reveal inter-sectorial flows;
- (c) purchases and sales must include not only exchanges of trade goods but also of fixed assets;
- (d) purchases and sales must be analysed by classes of products, such as those in use for customs purposes.

Other points being considered are the possibility of introducing a means of showing net worth in the chart, and accounting for purchase orders and sales contracts.

### Information about Companies

The third congress subject, 'The presentation of annual accounts of businesses, including groups of companies', is being undertaken by the committees on accounting law and on auditing.

Two questionnaires have been submitted to members of the committee on accounting law. The first consists of fourteen questions designed to obtain information about legal prescriptions governing the preparation and publication of accounts in the different countries represented in U.E.C. The second aims at clarifying the relationships between the various forms of incorporation recognized in these countries and the rights and duties of the auditor in relation to each.

The committee on auditing has decided that as a previously started project on 'Annual audits of groups of companies' fits readily into the wider subject chosen for the congress, this is being extended to cover the influence of information about related companies on the annual audit.

### Other Projects in Progress

Other work of interest, though not of immediate concern to the congress, is being undertaken by the committees on taxation and on accounting terminology.

With reference to taxation, the committee has under review the principal features of the British system as presented at a recent meeting of the committee by a representative of the United Kingdom Institute of Taxation. On the question of the profits tax, which is a corporation tax, some doubt has been expressed as to whether the committee should continue to oppose such forms of double taxation, since these were now established facts in all European countries. However, the committee stands by the principle that the profits of corporations should not be taxed twice, but has agreed to seek ways of modifying existing systems as a means to establishing the principle.

The committee on accounting terminology is engaged upon the task of promoting an Italian version of the *Lexique U.E.C.*, and the preparation of a multi-language supplement dealing with automation, banking, the stock exchange, expenses and tax laws.

## The P. D. Leake Trust

THE 1963 report of the P. D. Leake Trust, just published, shows that its activities are slowly increasing. The Trust, it will be remembered, was set up some ten years ago under the terms of the will of the late Mr P. D. LEAKE, F.C.A. Its objects include 'the advancement of the sciences of accounting and of political economy including the subject of public finance and taxation in the widest possible sense'. The will provides that the committee administering the Trust shall consist of five members of the Council of The Institute of Chartered Accountants in England and Wales, and further, that there is to be an advisory committee of persons nominated by the Universities of Oxford, Cambridge, London and Birmingham. The Trust's assets now amount to over £300,000 and the disposable income to some £13,000 per annum; accumulations of unspent income amount to no less than £80,000. What has been achieved in the past ten years by this generous provision of resources, backed by an elaborate superstructure of administration?

The income has been applied in three ways. First, research fellowships have been established at the Universities of Oxford, London, and Birmingham. Secondly, longer-term posts have been established at Cambridge, Oxford and Sheffield. Thirdly, a grant has been made to the Royal Institute of Public Administration to finance a research project; this third application is relatively small, and no more need be said about it.

In assessing the success of these projects, it is perhaps worth while to start by considering the educational and research needs of the accountancy profession. Compared with some of the other countries of the British Commonwealth and with the United States, relatively little accounting research is done in the United Kingdom; undoubtedly more should be done. Further, there is widespread feeling that the training of young accountants in Britain is on the brink of great change, and that in particular more use will have to be made of formal teaching facilities (such as are provided by the universities, technical colleges, etc.). This feeling has been heightened by the discussions on education for the profession in general, and in particular on the

English Institute's own scheme of training, by the Robbins Report with its suggestion that most intelligent schoolboys will in future go to the universities before entering professions, and by the emergence of new skills linked with operations research, computers, etc.

The proposed new certificate in management information and the joint diploma in management accounting services will make for further change; if these qualifications are to command respect, the professional bodies will have to foster advanced courses for the candidates (though little has as yet been said on this vital aspect of the proposal). Whatever their precise nature, developments in formal education, if they are not to be a dismal failure, will need a large body of trained teachers and researchers, competent to give instruction in accounting at a high level. A major test of the P. D. Leake Trust's usefulness is therefore the extent to which it is providing this cadre of potential future instructors.

The research fellowship scheme under the Trust seems to have worked reasonably well. There have, however, been only six appointments to date. The holders have to their credit a considerable list of publications; but (so far as is known) none of these appointments has yet led to any additions to the body of full-time teachers. Perhaps the trustees should now consider changes in the conditions of tenure. One year is usually not long enough for a researcher in any subject to finish a book or other substantial contribution, so possibly the period should be capable of extension to two years; such a concession was in fact made to one past fellow.

Moreover, the grant of £2,000 – though generous by the standards of 1956 when the fellowships started – is no longer so tempting. A university post that carried £2,000 per annum in 1956 would now carry nearly £3,000 and may soon carry more. A mature and successful accountant is not likely to withdraw from his normal work unless the emoluments and prestige are considerable.

The post at Cambridge is the P. D. Leake Professorship of Finance and Accounting, which is held by an applied economist of distinction whose report states that he is working on such

subjects as social accounting, consumer behaviour, and British economic growth. The post at Oxford, recently established, is a research fellowship at Balliol College; its holder, too, is a well-known applied economist who will presumably continue to work in his own field. The new fellowship at Sheffield has not yet been filled.

Unlike almost all other universities in Britain, Oxford and Cambridge have declined to teach accounting, and it therefore seems somewhat odd that the Trust's major grants should be made to bodies that are so indisposed to meet the profession's needs. However admirable it may be to foster research in other areas, there is surely a case for encouraging research in accounting itself at universities that do not consider the subject to be outside the range of worth-while studies.

The Press has recently been drawing attention to the 'brain drain'. More than one of our teachers of accounting has joined this flow in order to obtain academic posts in which they can find an adequate outlet for their research and teaching abilities. Perhaps this is another field in which it is better to encourage one's friends than to appease those who are indifferent.

It seems worth discussing, too, whether a new kind of venture could not fulfil the Trust's aims in a more vigorous way. If the number of teachers and researchers in accounting is to be raised, surely there should, as a first step, be an effort to attract and train suitable men while they are still young. There seems to be merit in the suggestion that junior fellowships might usefully be created for younger men – already holding accounting qualifications – who wish to take a first or higher degree. For a recently qualified accountant who might want to learn about operations research, computers, tax law, or more theoretical matters, one or two years of full-time study, leading perhaps to some such degree as the M.Sc.(Econ.) or M.Com., would be a fruitful way of achieving this end.

The advanced scholarships recently announced by the Government (of about £450 per annum) will be helpful in financing such candidates, but more direct and generous grants would be better still. Such a scheme might also aid young men who are preparing for the theoretical parts of the proposed new diploma in management accounting. Here is a way in which the Trust could help to meet one of the profession's most pressing needs.

## Organization Charts

### Planning of the Administrative Structure of a Company

by F. R. GOODEY, F.C.W.A., F.C.C.S.

**I**N organizations where budgetary control techniques are employed, the levels of activity and the expenses necessary to achieve the planned results are recorded and agreed in advance of the operating period. In so doing, the known requirements in terms of materials and labour to meet each phase of the budget can be obtained in the right order and correct quantities to fulfil the desired result. This method of operation is logical, assists management and is conducive to improved efficiency.

The basis of this technique can be applied with equal benefit to management structure. In an expanding and changing organization, the element of management succession and the creation of new top management positions must be anticipated and provided for to ensure continuity of control. By budgeting in advance, or projecting future

organization charts, the most suitable type and quality of management material can be recruited or trained in advance of need.

Apart from this seemingly obvious view, a more intelligent use of organization charts can help management in the consideration of a number of problems relating to company structure and the status of personnel employed.

#### Basic Characteristics

Before considering some of these features in detail it may be useful to examine some of the basic characteristics of an organization chart. All too often such a chart is looked upon as a top secret document within management; and, indeed, it is readily recognized that in some cases if a chart was prepared showing certain employees

in their correct relationship, some personnel would feel aggrieved. Nevertheless, interdepartmental relationships and lines of communication do exist in fact, even if they are not committed to paper. The intelligent composition and presentation of an organization chart can assist considerably in smoothing out difficulties in communication which occur in every company.

### 'Family Tree'

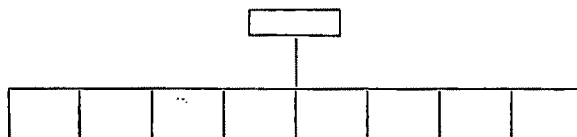
The 'family tree', as it is sometimes called, is a visual presentation of the body corporate and indicates the lines and planes of responsibility and accountability. It is a road map or charting mechanism for the organization. If top management is asked what is the relationship between certain departments or individuals, they would give the answer which they believe to be true. In many instances, however, it would be equally true to say that the actual relationship at the operating level could be very different.

When compiling an organization chart for the first time it is useful to assemble basic information by consultation with the existing staff to find out what are the facts. From this point, management can see where anomalies exist and can correct blatant irrationalities before confirming a current chart.

It is of advantage to have in mind that office titles and status levels may remain constant for fairly long periods of time, whereas personnel may be subject to change. To avoid the necessity of constantly revising charts to reflect the current position, it is better to mark them with office titles only in place of the names of individuals. Extracts of the main chart which have limited circulation and application can have names added if circumstances demand.

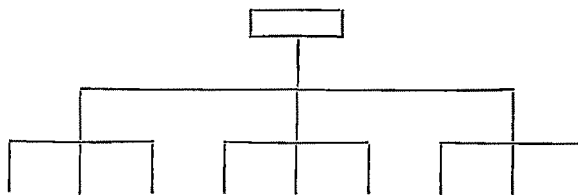
### Lack of Delegation

By preparing an initial organization chart, it can be seen more clearly where lines of communication are overloaded or wrongly routed. For example this type of chart:



shows that one executive has reporting to him every main activity of the company. It demonstrates lack of delegation and an obvious inability to devote adequate time or attention to the re-

quirements of each department. The following chart, however, reflects a somewhat different situation:



It will be apparent that proper delegation seems more likely, that the problems of a number of departments are co-ordinated at a lower level of responsibility, and that the top executive can plan his time to allow for consultation with his subordinates, as well as time for overall direction and planning.

These examples obviously are an over-simplification of problems which exist but they do illustrate that defects in structure can be more clearly seen.

### Planes of Responsibility

Reference has been made to the fact that a chart shows lines and planes of responsibility and accountability. It is usual to find that planes (or grades), in this context, enjoy differing salary levels and entitlements to fringe benefits. Under this heading come such items as:

- (a) holiday entitlement;
- (b) sick pay entitlement;
- (c) membership of a pension fund and life assurance scheme;
- (d) dining facilities;
- (e) entitlement to a company car;
- (f) car parking facilities,

and even carpet on the floor. By indicating on an organization chart a grade for each level of responsibility, it will be obvious to all the extent of entitlement which can be enjoyed according to status. This aspect can best be illustrated by an example:

	<i>Holiday Entitlement</i>	<i>Sick Pay</i>	<i>Pension Scheme</i>
<i>Grade A</i>			
Management	4 weeks	1 year full pay 1 year half-pay	Admission after 1 year of service
<i>Grade B</i>			
Supervisory	3 weeks	6 months full pay 6 months half-pay	Admission after 1 year of service

*Grade C*  
Shop floor 2 weeks 6 months full pay Not admitted

and so on over all the fringe benefits.

Having shown how organization charts can be employed to co-ordinate some of the features of

personnel relationship and company structure, it can be more clearly seen how, by projecting future charts, related subjects can be considered at the same time.

A company at present employing 500 employees, may intend to develop to 750 in five years' time, and 1,000 in ten years' time. Such a plan would obviously involve the creation of new departments or functions, and the employment of a different or extended type of management structure. To illustrate this further, the present secretarial and accounting department, for instance, may be divided into a secretariat, and separate sections or departments for chief accountant, financial accountant and cost accountant. Again, the research department may have a future structure containing a research and development director with a number of project engineers concentrating on groups of specialized work. The present sales manager may be replaced by a general sales manager with a marketing manager and several product sales managers.

#### Future Pattern

By reflecting these projected changes in an organization chart showing the pattern five years or ten years hence, the extent to which existing staff may be trained to fill new and more responsible posts, together with the number and quality of executives to be recruited from outside the company, may be more readily apparent. By the same token it will become more obvious at what stage of development within the company that each of these operations should be carried out. By the association of details of fringe benefits to a chart in this connection, it can be seen whether any revision to personnel policy will be needed to attract the type of labour most suited to the projected level of company status.

The planning of management succession in so many companies – particularly in the small private companies which form the larger part of the total number of companies in Britain – is left until a serious gap develops through death or resignation. In the event, a hurried decision has to be made to ensure continuity of management, which in some cases does not prove to be in the long-term interest of the company development.

The establishment and development of organization charts as described suggests a formal type of company structure. Obviously for optimum efficiency the lines of communication must be clearly defined, nevertheless, the general approach may with advantage be one of 'flexible rigidity'.

Interdepartmental relationships may be set out, but should emergencies occur or an urgent matter demand prompt attention in the interests of good business, short cuts can be employed, keeping in mind the overall plan and intention.

There are two other features which can be applied within the framework of this subject and can result in great advantages in almost every circumstance, namely:

- (a) The preparation and issue of terms of reference for all levels of management;
- (b) The employment of instruction manuals for all major operations and procedures.

#### Main Features

In essence, terms of reference should contain the following main features:

- (i) Title of the office;
- (ii) Entitlement to fringe benefits which should be specified;
- (iii) To whom responsible and the area of accountability;
- (iv) For whom responsible and the area of responsibility.

With the issue of such documents, those concerned can be in no doubt as to the part he or she is to take in the running of the business.

The value of instruction manuals can be appreciated by considering experience which is likely to be within the knowledge of everyone. At the initiation of a procedure, full details of what is required are given to the actual operator; with the passage of time, however, employees leave or are transferred to other work and all too often the task of instructing a new employee is left to an associate in the department who may or may not be conversant with the detail. As time passes points of detail become omitted and unilateral changes to the method take place, and in due course the method or procedure becomes inefficient by default. If the procedure is written clearly and without ambiguity at the outset, being revised as and when changes become necessary, new employees can be instructed as to the original intention.

The whole field which has been considered in this article is one which all too often is allowed to involve or to 'grow like Topsy'. Losses through inefficiency, temperament, misunderstanding and lack of clear intention cannot be measured easily, if at all. Care in planning the structure of a company as it develops can earn rich rewards through better communications and clearly defined areas of responsibility.

# Stimulating Plant Replacement—II

## DISCRIMINATORY FISCAL TECHNIQUES

by R. J. BRISTON, B.Sc.(Econ.), A.C.A., and E. W. EVANS, M.A., Ph.D.

*In the first part of this article, published last week, the authors described the chronic reluctance of British management to undertake plant replacement and showed that investment allowances have been largely ineffective in stimulating such re-equipment. The major drawback of these allowances has been their impermanence as one of the tools of a 'stop-go' economic policy, and some writers have suggested that a permanent rate of accelerated depreciation might prove more efficacious.*

THE practical effect of accelerated depreciation for tax purposes is similar to that of investment allowances. Briefly, the faster the rate of depreciation, the greater the cost advantage to the investing firm. Not only does the investor receive a time-discount gain by being allowed to set-off depreciation against profits at an earlier date, but also where the pay-back period criterion is adopted a greater amount of depreciation is set against the profits of that period. There is also the advantage that an investing firm is enabled to retain a greater amount of profits within its business as a basis for financing further growth.

One condition under which accelerated depreciation is most likely to induce new investment is that of high tax rates, because the higher the rate of tax the greater the cost advantage of new investment. It is also necessary, of course, that there should be taxable income against which the allowances may be set off, but it is unlikely that a firm would undertake investment which did not promise to generate enough income to cover its capital allowances.

There can be little doubt that conditions have been favourable to the implementation of a policy of accelerated depreciation in Britain during the last decade. Certainly tax rates have been sufficiently high to encourage business men to seek means to reduce their tax burden. Yet the introduction of accelerated depreciation in the form of a high initial allowance and a relatively generous rate of write-off appears to have been ignored by the business world. Several reasons can be advanced for this.

### Management not Investment-conscious

In the first place management does not appear to be investment-conscious. This is shown by the prevalence of capital decision techniques which have long since been shown to be inaccurate. The most common criteria in use are the pay-back period and the rate of return on the investment. While both of these methods do attempt to measure the profitability of an investment, they totally ignore the fact that a sum of money received a year from now is worth more than the receipt of the same amount two years from now, for in the interim period it could have been reinvested to earn more income, even ignoring changes in the value of money.

For example, two different investments of £1,000 might produce the following results:

Initial Outlay	Net income (after tax)				
	Year: 1	2	3	4	5
Investment 1					
£1,000 .. ..	£250	£250	£250	£250	£500
Investment 2					
£1,000 .. ..				£1,000	£500

The two investments would appear to be identical under the pay-back period method, both of them recovering the initial outlay within exactly the same period. The formula for assessing rate of return is as follows:

$$\frac{\text{Average annual net income after tax and depreciation}}{\text{Average investment}} = \text{Rate of return.}$$

In each case by conventional methods the rate of return would be the same:

$$\frac{\frac{1}{2}(1,500 - 1,000)}{1,000} = 10 \text{ per cent}$$

It is obvious, however, that the first investment is more profitable than the second because it secures an earlier return of liquid funds.

The theoretically correct method, which does not appear to be commonly used in Britain, is the discounted cash flow method and this would clearly indicate the advantage of the first investment:

Present value discounted at 10 per cent of the cash flows generated by Investment 1 ..	£1,102.90
Present value discounted at 10 per cent of the cash flows generated by Investment 2 ..	£993.45

One of the prerequisites of any taxation system, therefore, must be the education of the persons it is intended to influence. Business men must be

made more aware, through greater publicity and further education at business schools, of the principles underlying decision-taking. However, it is not fair to blame management in this respect for it was not until 1964 that the first authoritative British textbook on the subject of capital budgeting was published, in spite of the fact that advanced techniques have been advocated in America for many years.

A further reason for the ineffectiveness of the British accelerated depreciation allowances lies in the fact that the annual allowances are based on the reducing balance method, with the result that assets are never fully depreciated until they are sold. If a firm were to invest in a machine costing £10,000 it would take only seven years on a 15 per cent write-down basis to receive capital allowances, including the investment allowance, amounting to £10,129. In order to achieve the further allowances of £2,871, the firm would have to wait for forty-two years by which time the machine would have a tax written-down value of £3, at which figure it would remain until it was sold or scrapped. If the firm was not able to claim an investment allowance on the machine it would take forty-seven years for it to reach a tax written-down value of £3. These figures compare with an average tax life of eight years for industrial equipment in Belgium and ten years in France, Germany and the Netherlands, according to an American Treasury report. It would therefore appear that there is ample scope for reform of current British procedure in this respect.

### Obsolescence Duty

A further reason for the failure of accelerated depreciation to induce new investment is that its effects are negative rather than positive. The evidence quoted earlier suggests that what may be termed the 'incentive approach' has not of itself produced any dramatic improvement in the rate of re-equipment. Thought might therefore be given to methods of penalizing firms who refuse to undertake new investment. One such penalty, which has not been hitherto suggested, is an obsolescence imposition, the objective of which would be to make obsolete equipment more expensive to retain in use. Such a duty seems an obvious corollary to a system of capital allowances.

'Obsolete' has, of course, many meanings, among them being 'inefficient', 'outdated', 'superseceded' and 'antiquated'. Only the last of these is capable of adequate quantitative measurement and an obsolescence duty would primarily be

envisaged as a tax on machinery over a certain age. It would therefore act as a further inducement towards new investment and probably more effectively than the two methods already mentioned, because it would have the positive effect of creating a charge on managements that do not re-equip rather than the negative effect of offering tax relief to those who do so.

It would clearly have to be imposed in a discriminatory fashion between different industries and different types of plant, since obsolescence does not supervene at the same age in all sectors of the economy. The N.E.D.C. already recognizes that in addition to differentiated investment allowances for the development areas, there is a 'case for other kinds of differentiation'. Moreover, both the first report of the Tucker Committee and the Royal Commission on the Taxation of Profits and Income suggested greater discrimination in the use of capital allowances to further national economic objectives.

### How to Increase Investment Incentives

So far we have discussed the advantages and disadvantages of three techniques of encouraging investment by means of the taxation system, namely, investment allowances, accelerated depreciation and an obsolescence duty. How is it proposed that these techniques be merged to produce the most potent incentive towards investment?

First, it is suggested that investment allowances should be more discriminatory. It has always been accepted that some industries contribute more to national welfare than do others, and few would argue that expenditure on the use of atomic research for industrial ends is not better directed than that on a machine for a book-maker to count his cash more quickly. The traditional adherence to equity has not prevented the giving of selective investment allowances in the past when it appeared to be in the national interest to do so. Shipping, scientific research, and development areas have all at various times been the subject of preferential and therefore inequitable treatment.

Greater discrimination in their use would tend to make investment allowances far more flexible. If it was desired to encourage one particular sector of the economy to undertake more capital development, then that sector could be granted higher allowances. Conversely, if one industry appeared to be over-expanding, then its investment allowances could be reduced or even made negative.





*Schedule of Machinery Purchased in 1954 and earlier*

	December 31st, 1963	Sold	December 31st, 1964	Obsolescence Tax
	£	£	£	£
1954 ..	2,000		2,000	—
1953 ..	4,000	3,000	1,000	—
1952 ..	1,000	800	200	—
1951 ..	500	400	100	—
1950 ..	1,000	800	200	—
1949 ..	8,000	1,000	7,000	700
1948 ..	1,200	500	700	70
1947 ..	800	500	300	30
1945 ..	400	—	400	40
1942 ..	650	650	—	—
1939 ..	350	350	—	—
1937 ..	50	—	50	5
1935 ..	50	—	50	5
	<u>£20,000</u>	<u>£8,000</u>	<u>£12,000</u>	<u>£850</u>

Had the firm purchased any second-hand machinery during the year, it would have been entered under the year in which it was originally purchased new, and it will be written down at the appropriate rate for that year.

### Cogent Arguments

The arguments in favour of the adoption of such a system appear very cogent. In the first place the scheme is designed to make the whole country more aware of the importance of growth and the use of modern investment decision techniques as a means of inducing efficient growth. People will be aware that the scheme encourages modernization and penalizes stagnation. This seems quite in keeping with the dynamic policies advocated by all three political parties, and it will accord well with the spreading of technical and business education envisaged during the next decade. Not only will potential investors become more investment conscious, but it is anticipated that the capital goods producers will be prepared to spend more money on the development of more efficient types of machinery if they feel certain that there will be a stable demand for their products, once developed.

A further advantage lies in the fact that most firms will find it necessary to maintain a plant register in order to comply with the provisions of the scheme. This would greatly enhance the system of internal control of those firms who do not already maintain such a register and would also be a valuable aid to their auditors.

Not only individual firms but the economy as a whole would benefit from the implementation of the scheme. For one thing, up-to-date statistics of the age of all classes of machinery analysed over all sections of industry would be available. Such statistics have never been obtainable in

any reliable form in the past and would be of the greatest assistance in measuring the growth or stagnation of capital formation in all sectors of the economy.

### More Effective Planning Facilitated

The preparation of such data would become extremely easy from the records of the Inland Revenue. This information would facilitate more effective economic planning while the flexibility of the scheme would give it unique advantages as an instrument of planned growth. If it was required to encourage investment in special industries or in particular types of machinery, the investment allowance and the obsolescence tax in respect of that industry or type of machinery could be increased. If it was desired to curb the volume of new investment the relevant investment allowance could be decreased or abolished, and the obsolescence tax decreased or, in extreme cases, converted into an obsolescence allowance.

The availability of more accurate statistics would enable the Government to make such decisions with a far greater precision than at present. The overall result of the system would be a speedier and more stable rate of investment leading to higher productivity in selected industries and a reduction in the price of capital goods due to the stabilized demand for such goods and the greater research that would be undertaken.

Finally, the scheme is recommended by its simplicity. It would involve more paper-work admittedly, but its statistical advantages more than compensate for this. The compilation of the capital allowances computation would be quite straightforward, the years of original purchase of plant bought or sold during the year being easily ascertainable from the plant register. Moreover, annual allowances and balancing charges or allowances could be calculated more easily. As for the installation of the scheme, this could be done quite practically over a relatively short period of time, particularly as most firms of any consequence already maintain a plant register.

### Conclusion

The purpose of this paper has been to suggest the adaptation of the taxation provisions in respect of capital allowances to make them more appropriate to a climate of modernization. It is now accepted that investment in new techniques is essential if Britain is to achieve and maintain a satisfactory rate of growth. The modern trend has been to view taxation as a means of providing incentives to this end and it seems that dis-

criminatory, rather than strictly equitable, taxation is now accepted as a tool of economic policy, despite official attempts to rationalize this development.

Two techniques already adopted in the field of taxation to provide incentive to new investment have been investment allowances and accelerated depreciation. Our object has been to show how a

greater discriminatory use of investment allowances and a more sharply accelerated and a more rational system of depreciation allowances, combined with a selective obsolescence tax could be used to provide economic planners with useful data and a powerful tool in the management of a smooth and controlled rate of growth.

*(Concluded.)*

## THE ACCOUNTING WORLD

# The Profession in Israel

THE accountancy profession in Israel came into being following the enactment by the British Mandatory Authorities in 1919-22 of the Companies Ordinance and the Co-operative Societies Ordinance requiring the audit of the annual accounts of companies and co-operative societies. The law provided for the licensing by the Government of public auditors and prescribed the qualifications required of those applying for a licence.

The introduction of income tax in 1941 gave further scope to the profession as, in line with the practice in the United Kingdom, most companies, co-operative societies and the larger partnerships employed accountants to prepare and file their tax returns and represent them before the taxation authorities.

By the end of the British Mandate in May 1948, there were about one hundred accountants in Israel, the majority of whom having qualified with United Kingdom accountancy bodies, mainly The Institute of Chartered Accountants in England and Wales and The Association of Certified and Corporate Accountants.

### **New Examining Body**

The State of Israel, upon its formation, adopted practically the entire legislation of the mandatory authorities, and in anticipation of considerable economic expansion needing the services of many more qualified accountants than were then available, steps were taken to set up a body for the examination and licensing of public accountants under the authority of the Minister of Justice.

In 1955, the Knesseth (Israel Parliament) passed the Auditors' Law Bill providing for control over the profession, and prescribing the conditions for the examination of candidates and the granting of licences to practise. This provided for the setting up of an Auditors' Council to administer the provisions of the law.

The duties of the Auditors' Council include the registration of articled clerks, the conducting of examinations, the licensing of persons who have

qualified and the control generally of the profession in so far as the public interest is concerned. The Council is composed of five high Government officials and four public auditors, the latter being nominated by the Minister of Justice.

The 1955 law is expected to be revised in the not too distant future to include changes found desirable in the light of experience. It is anticipated that the present two-year minimum period of apprenticeship will be increased and the examination syllabus will be revised, enlarged and brought up to date.

### **Certified Public Accountants**

The Association of Certified Public Accountants in Israel was formed in 1931 by practising accountants at that time. Its objects are:

'To act as a central body for certified public accountants in Israel; to promote their professional well-being and to protect their interests; to facilitate professional and social intercourse between members; to keep watch over legislation affecting them; to safeguard the maintenance of ethical standards between them and members of the public; to advance the standard of skill and proficiency among members and among entrants to the profession.'

The regulations of the Association are similar to those of cognate bodies in the United Kingdom and the United States - allowing for aspects which are the prerogative of the Auditors' Council.

The Association has maintained close co-operation with the Auditors' Council and the four members of the latter who are appointed by the Minister of Justice are chosen by him from a panel recommended by the Association.

The Association's activities are conducted through various subcommittees on accounting principles, terminology and financial reporting, auditing standards and procedures, taxation, etc. It reviews all Bills submitted to the Knesseth in which the profession has an interest and submits recommendations.

Membership of the Association is confined to persons entitled to practise in Israel under the Auditors' Law. Membership is voluntary, but com-

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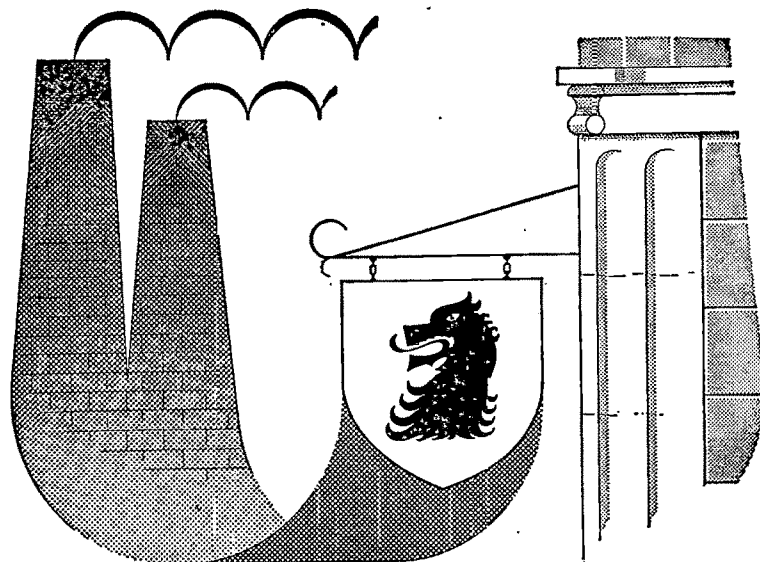
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prises practically all the practising accountants in Israel. The designation of members is: Certified Public Accountant (Isr.) or C.P.A. (Isr.).

There are at present some seven hundred and fifty licensed auditors in Israel. The number in public practice – either in partnership or alone – is about four hundred and fifty. Those not in practice are employed in responsible positions in the Comptroller-General's Office, the Israel Treasury and by the larger financial, industrial and commercial companies in the country.

### Legislation Affecting the Profession

The Companies Law provides for the audit, by a public auditor, of every company incorporated in Israel. The accounting requirements and the form of the auditor's report are similar to those prescribed under the United Kingdom Companies Act, 1929. Some years ago, however, the Association recommended a new form of auditor's report, more in line with that in use in the United Kingdom, which has become standard practice in Israel.

A Government Committee is at present reviewing the existing Companies Law and it is expected that this committee will recommend numerous changes in order to bring the law more in conformity with the United Kingdom Companies Act, 1948, and the Jenkins Committee's recommendations.

The Co-operative Societies Law also requires the audit of every co-operative society by a licensed auditor or by a recognized 'audit union'. The audit certificate of these societies is in the form prescribed by that law.

The Partnership Law does not call for the audit of the accounts of partnerships. However, the majority of the larger partnerships voluntarily employ auditors to audit their annual accounts.

The Income Tax Law provides, in respect of companies and co-operative societies, that the annual tax return be based on an Adjustment Statement to be certified by the auditor of the company or the society.

Companies issuing prospectuses offering the public the opportunity to subscribe for shares or debentures are required to include in the prospectus their last audited financial statements and a certificate from the company's auditor with respect to past profits, the annual dividends paid, etc.

### Accounting Principles and Standards of Disclosure

The profession in Israel is guided mainly by standard United Kingdom and United States accounting literature, and adheres closely to the accounting principles and practices of both those countries.

The Association is at present in the course of formulating a set of accounting principles for the guidance of its members, but these will again be on

the lines of those adopted in the United Kingdom and in the United States.

Auditing standards and procedures, and standards of disclosure, are also very much influenced by United Kingdom and United States practices. The Association's recent recommendations on disclosure submitted to the Government's Securities Issue Committee follow closely the United States Securities and Exchange Commission's requirements.

The profession in Israel also subscribes to the code of ethics as accepted by the profession in the United Kingdom, while, similar to the requirements under the United Kingdom Companies Act, the Israel Companies Law prescribes certain procedures for the appointment of auditors and their replacement, with a view to safeguarding the legitimate interests both of the shareholders and the incumbent auditor.

## CANADA

### Responsibility Accounting

**R**ESPONSIBILITY accounting is a system of accumulating and reporting on costs and revenues, reflecting the activity of each supervisor and executive. Like the 'cost centres' in cost accounting, writes Mr Philip Creighton, C.A., in *Cost and Management* for January, there are 'responsibility centres', these being the supervisors and executives themselves.

Responsibility accounting is much like branch accounting developed further than usual: (1) each responsibility centre is charged or credited only with those costs and revenues for which he is solely responsible; (2) there are no prorations of income and expense items; (3) the system is fully integrated into the general accounting system.

The centres farthest down are reported on first, the totals being carried to the next set of reports, so that each executive receives only the figures with which he can do something. Essential to the system are the support of top management and the support and understanding of the supervisors.

## UNITED STATES

### Accounting for Goodwill

**W**RITING in the *Journal of Accountancy* for February, Mr Leonard Spacek, C.P.A., a member of the American Institute's Accounting Principles Board, would have purchased goodwill accounted for as a reduction of the purchasing company's equity value. He sees the concept of 'pooling of interests' accounting as a main result of untenable methods of handling goodwill, where stock rather than cash is used in an acquisition. He calls this a high-sounding name for a set of practices camouflaged with window-dressing criteria in an attempt to account for goodwill. The assets, liabilities and equity accounts are all recorded by the acquiring company at the amounts at which they were carried

## COUNCILS IN SESSION - IX



The Council of the New Zealand Society of Accountants. Seated at table (*left to right*): Messrs D. S. Cox, H. G. F. Callam, D. E. Dalzell, A. L. Fox, B. F. Anderson, A. W. Graham (*Secretary*), A. A. Q. Solomon (*President*), T. G. Hull, (*Vice-President*), W. G. Rodger, F. V. Noble-Beasley, N. B. Pippard, G. O. Smart, H. G. West and M. D. Gillick. Standing at rear (*left to right*): Messrs D. M. Roche, R. W. Steele, F. J. I. Olliver, A. G. Banfield, W. S. Gillison, J. A. Valentine and L. W. Logan.

in the books of the vendor, any excess of the fair value of the stock issued over the previously established book values not being recorded. Goodwill is thus automatically charged off against the stockholders' equity.

Mr Spacek questions the justification for a difference in treatment of goodwill just because the acquisition is not for cash. While he condemns the 'pooling-of-interests' concept as a fiction, he agrees that the recording of goodwill would often have had to be made in figures of staggering proportions, destroying the value of the balance sheet as a presentation of

financial position. Also amortisation of such goodwill against net income would have made the income statement meaningless as a tool for measuring the results of operations.

Yet the pooling of interests is, he says, a sham which has relieved the pressure of accounting for the fair value of producing assets. He would, therefore, have the profession adopt as an accounting principle the reduction of the purchasing company's equity value by the amount of goodwill, which represents the cost of that portion of earning power which was acquired by the purchase.

## Weekly Notes

### R.P.M. BILL AMENDMENTS

**N**OBODY expected the Government's Bill on resale price maintenance to have an easy passage through Parliament, but the scale of opposition to its provisions has surprised many observers. Nearly one hundred and fifty amendments have been tabled and the committee stage will prove an arduous process for Mr Heath and his colleagues, unless the Government is prepared to use the guillotine.

The amendments follow a predictable pattern, being in some cases as vague in their terms as the provisions of the Bill which they seek to modify. In an attempt to retain r.p.m. in the pharmaceutical trade, an amendment has been proposed which would make it lawful for a supplier to withhold any drug, medicine or appliance from a dealer who is not an authorized dealer in poisons. Clearly, the effectiveness of this amendment would depend entirely on the definition of drug or medicine.

On 'loss leading', it is proposed so to define this term that any dealer who resold goods at a retail price below the manufacturer's wholesale or recommended wholesale price, would be treated as engaging in that practice. This particular amendment has little substance in view of the fact that it is in the cutting of the present substantial retail margins on certain products that the real threat to the smaller trader exists.

An amendment to clause 5, which deals with the exemption of certain classes of goods from the Bill, proposes to add a fourth criterion on which exemption would be allowed. This is that in the absence of r.p.m. 'the goods would be sold in conditions which would be likely to lead to their misuse by the public'. Another amendment to the same clause seeks to introduce additional criteria based on the argument that where there is substantial detriment to the public interest from the abandonment of r.p.m., it should be retained. But, here again, the effectiveness of such an amendment hinges, as does the rest of the r.p.m.

legislation, on the interpretation put upon it by the Court.

The really significant change that the opponents of the Bill must surely seek to make is that the onus of proof should be shifted from the supplier to the Registrar. Without such an amendment, and on the assumption that the Restrictive Practices Court will construe the term 'in the public interest' as liberally as in recent industrial cases, then the opponents' hopes of greatly modifying the impact of the Bill must be limited.

A further amendment proposes that groups of retailers, as well as manufacturers, shall have the right to claim exemption from the Act. This is a clear recognition that many manufacturers will not be convinced of the necessity to incur heavy legal costs for what must be, in some cases, a limited gain for them. Current interest in this topic has shifted from the economic to the political scene, but for anyone wishing to evaluate the considerations and the arguments involved, a new edition of Professor Yamey's Hobart Paper on *Resale Price Maintenance* is of interest. (Institute of Economic Affairs, 66a Eaton Square, London SW1. Price 6s).

### LOCAL AUTHORITY HOUSING COSTS

**T**HE drive towards more uniform methods of preparing national and local government statistics has now produced a report entitled *Costing of Management and Maintenance of Local Authority Housing*. It is the fruit of two and a half years' study by a working party set up by the Ministry of Housing and Local Government following recommendations contained in the report on *Councils and their Houses* (H.M.S.O. 1959). Members of the working party included: Messrs H. Keeling, F.I.M.T.A., V. M. A. Tailby, F.I.M.T.A., F.C.I.S., A. W. Reach, F.I.M.T.A., A.A.C.C.A., R. T. Cox, A.I.M.T.A., and D. A. Hogg, F.I.M.T.A., F.S.A.A.

Its terms of reference were to review the arrangements of local authorities for the calculation and apportionment of the expenses of housing management and the costing of the maintenance and repair of their houses; to examine the possibility of the adoption of more uniform methods and to make recommendations.

It appears that until recently, at any rate, few local authorities were in a position to apportion their costs of management over its various functions and this was considered a prerequisite for inter-authority comparisons and necessary to provide authorities with a yardstick against which to measure their costs. While firmly convinced of the need for such a yardstick, the working party had to face the uniform costing problem. It was taken for granted that the larger authorities would wish to keep more detailed records of cost than were strictly necessary for comparisons, observes the report, but 'the general costing and accounting arrangements of local authorities vary so much that the imposition of a wholly uniform system . . . would probably produce more disturbance than the final result would justify'.

The report then proceeds to suggest how the costs of housing management could be assessed and recorded in such a way as to facilitate the formation of a yardstick of management and maintenance costs, and provides illustrations of appropriate cost analysis statements.

The principal objective of these suggestions is to eliminate from cost comparisons as many accounting differences as possible, in order to enable the wide variations in the costs of management and maintenance to be studied in relation to physical and geographical factors, and local authority policies, standards and organization.

Local authorities now own almost a quarter of all the houses in Britain, so that there can be no doubt about the importance of cost reduction in this field, and there is general agreement that the dissemination of comparative cost information is beneficial to this end. The Institute of Municipal Treasurers and Accountants have agreed to collect and publish returns prepared by local authorities in accordance with the recommendations in the report.

#### E.C.G.D. REVIEW

SINCE 1930, when the Board of Trade inaugurated the export credit insurance scheme, the Export Credits Guarantee Department has insured exports valued at over £9,000 million. The volume of business has risen almost continuously since then; in 1962-63 it totalled £976 million. In part, this growth reflects the overall expansion in United Kingdom exports; but whereas in 1947 only 8 per cent of U.K. exports were insured with the E.C.G.D., it is now 25 per cent and the service is used by nearly seven thousand exporters.

These facts, together with a historical review of the E.C.G.D. and its work, are presented in an informative booklet published last Monday<sup>1</sup>. A detailed account is also given of the various types of facility available to exporters and as such the booklet is an indispensable guide to any business contemplating entry into new export markets. The Department has a unique reference library of up-to-date

information about the credit standing of some one hundred and thirty thousand buyers in 187 overseas markets.

By far the greater part of the insurance provided - 87 per cent in 1962-63 - relates to trade on short-payment terms varying from cash up to five years credit. The exporter requiring such insurance must cover most if not all of his present and future overseas business for a period of one to three years ahead. The point is, that like commercial insurance companies, the premiums can only be kept at reasonable levels if both good and bad risks alike are covered.

#### STANDARDIZED LAYOUT FOR DIVIDEND WARRANTS

MORE than a hundred years of commercial growth and activity - since the first Companies Act of 1862 - are reflected in the publication last week by the British Standards Institution of a British Standard for dividend and interest warrants and related tax cases.

The main purpose of the new publication, *B.S. 3723*, is to ensure that dividend warrants and tax vouchers have a standardized layout - providing the essential information in a constant position. This clearly benefits not only companies and their stockholders but those responsible for tax returns and, of course, the banks themselves. The standard deals with the content, layout and dimensions of dividend warrants and of related tax vouchers of both the 'gross' and 'net' types. Four illustrations are provided.

Because of the variety of machines used for the preparation of warrants, it has not been possible to recommend a single size, so that sizes within the maximum and minimum dimensions acceptable to banks are specified.

Although these standard warrants and tax vouchers are designed for company dividends, the layouts are equally suitable (with appropriate adaptation of wording) for the payment of interest on loan (and debenture) stocks, not only of companies but also of local authorities and public bodies.

Copies of *B.S. 3723* may be obtained from the B.S.I. Sales Branch, 2 Park Street, London W1. Price 6s each. (Postage extra to non-subscribers.)

#### SETTLOR FAILS TO DIVEST HIMSELF

SECTION 415 of the Income Tax Act, 1952, was the subject of litigation on Monday when the High Court dismissed the taxpayer's appeal in *Vandervell v. C.I.R.* (*The Times*, March 17th). The question at issue was whether 100,000 shares in Vandervell Products Ltd was 'property of which the settlor has divested himself absolutely by the settlement', within the meaning of section 415 (1) (d).

Mr Vandervell in 1958 decided to found a chair of pharmacology at the Royal College of Surgeons, which he understood would cost £150,000. He was advised that 100,000 of his shares in Vandervell Products Ltd could be transferred to the College and dividends then paid on them. The question of transfer

<sup>1</sup> *E.C.G.D. Services*. E.C.G.D., P.O. Box 272, Barrington House, 59-67 Gresham Street, London EC2.





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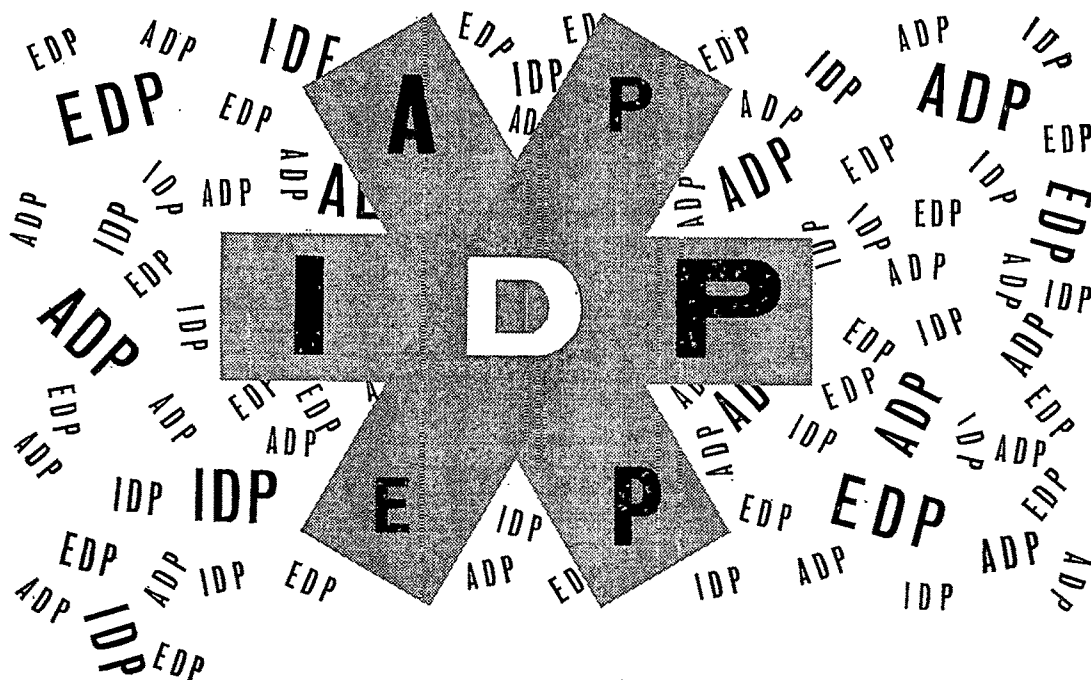


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was left in the hands of his accountant who had thought of this course for two reasons; it would help Vandervell Products Ltd to avoid a surtax direction, and secondly it would assist in the matter of estate duty, which had been worrying the accountant. It was suggested to Mr Vandervell that as the shares were transferred to the College, it should give an option to Vandervell Trustees Ltd on them. This latter company was the trustee of a family settlement made by Mr Vandervell, and also of the pension scheme of Vandervell Products Ltd. The shares were transferred to the College and the College executed the option agreement under which Vandervell Trustees Ltd could buy the shares for £5,000.

Large dividends were paid to the College on the 100,000 shares until 1961 when, on the advice of

counsel, the trustee company exercised its option on the shares, paid the £5,000 to the College, and took a transfer. The taxpayer conceded that the transfer of the shares to the College, with the granting of the option, together constituted a settlement within section 411, and therefore also within section 415, of the Income Tax Act, 1952, but argued that Mr Vandervell had divested himself absolutely of the shares. Plowman J., rejecting this argument, said the crux of the matter was the question for whose benefit Vandervell Trustees Ltd held the 100,000 shares following the exercise of the option. Under the law relating to resulting trusts, the trustee company held the shares in trust for Mr Vandervell, whether he intended it or not. Accordingly, he could not be said to have been absolutely divested of the shares.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 216

**D**IRECTORS change from year to year, like men's sartorial fashions – imperceptibly and gradually. It's only by comparing today's drainpipes and Edwardian jackets with the plus-fours or Fair Isle sweaters, or the homburgs with the astrakhan and fur caps, that we notice the difference.

My first boss was a friendly, chatty type; full of quick enthusiasms. His eye was lively but piercing, his approach patently designed to be stimulating. His manner in discussion had something of the air of those silver-haired master-minds of a past advertising decade, always pressing diffident young men to constructive action, and captioned with the inspiring (if somewhat impertinent) request: 'Let me be your father'! However, he listened benevolently to my hopes and fears and discussed my problems and prospects with apparent candour, so I esteemed him highly.

True, he posed problems. On one occasion he produced from his desk-drawer a framed photograph, and displayed it with a touch of reverence. He had a tremor in his voice as he announced that here was his own first chief. Here, he enthused, was a man among men, a born leader, a well-loved chief; one who stood out among lesser mortals as a diamond among pebbles. He didn't exactly say 'Kneel', but the implication was clear.

I was taken rather short, I fear. The ancient picture revealed four senior men in heavy belted overcoats and black homburg hats. They were laughing and carefree, with an unmistakable look of power and affluence . . . but which was which? Which was the maestro? 'Look at him,' said my boss spanning the decades with fond remembrance; 'one in a million, a man to die for.'

I suppose it was thoughtless of me. 'This chap?', I said interrogatively, placing my finger on the

tallest and most imposing of the group. 'Not at all; nonsense,' snapped my boss, 'that was only his secretary, an absolute nonentity.' He gazed at me in some distaste, appalled by my lack of perception; his accustomed cordiality was diminished thereafter. He lived in the days when enthusiasm and gay confidence were the marks of leadership, when subordinates' loyalty and service went hand in hand. Not so now.

Consider my present managing director as he conducts a meeting of our top executives. He's the modern type. Impassive, unemotional, with a cold grey eye and a detached tone, as he guides us through the agenda. He doesn't indicate his likes or dislikes; he doesn't say, for example, that he likes solution B, that we'll really put our shoulders to the wheel behind it; all together, chaps; this is it.

Not he. He taps his little pencil on his pad and says broodingly: 'This, I think, is perhaps an advantageous choice. This, I think, is worth further consideration. Have you any comments, Mr Secretary?' His heavy-lidded eyes scan me for reactions, as if through a microscope; the tempo is one of quiet deliberation.

It's a tempo that gives me a pain. I abhor this phoney 'this, I think' gimmick. I plunge in decisively. 'Solutions A and C are costly as well as non-committal,' I pontificate briskly. 'Let's push B to the utmost; the staff will rally in support if we explain the pros and cons fully; they'll follow a definite lead.' The managing director frowns, clearly pained by this unfashionable heartiness, and the sales manager takes his cue deferentially. 'This, I think, may possibly commit us prematurely . . .' he begins.

Finally we put forward solution B tentatively; it has a lukewarm reception; it fades out early. The staff greet it with apathy and hardly notice its extinction. We're half-hearted because our leader has underplayed his support; because he distrusts emotion and overestimates the acceptability of dry factual statistics. This, I think, is perhaps less than perfect management. . . .

# Finance and Commerce

## Houlder Line

THE 1963 accounts of Houlder Line Ltd, which form this week's reprint, mark a sharp break by the company with its past. The accounts have been prepared without regard to the Shipping Companies Exemption Order and the 1962 comparative figures have been adjusted to the new basis.

The exemption was, of course, designed to give British shipping some measure of protection against competition by allowing them to conceal their true position. And, of course, one seeks to conceal weakness rather than strength.

Mr John Houlder, the chairman, says 'it has never been of importance to a strong company like ours'. But, he adds, 'it might nevertheless be of great importance to a small company struggling against powerful competitors who have to reach a decision as to whether to come to terms with a small company or to try and force it out of their trade'.

In the profit and loss accounts, he says, the only difference of importance is the separate showing of the building up of the maintenance account. The other result of not using the Exemption Order is that various provisions made in the past have been 'sorted out' and items no longer required have been transferred to reserve account. The total involved is approximately £450,000.

## Profit Fluctuations

The effect of these changes in the presentation of the accounts, he points out, will inevitably result in the profits shown fluctuating in the future more than in the past. However, the carry forward has been 'substantially increased' and the board will not hesitate to use it in the future to meet any situation caused by a temporary fall in profits. Indeed, he adds, 1964 has made a bad start already as at the last moment a substantial part of the anticipated cargo failed to materialize for two of the company's ships.

In the year under review, says Mr Houlder, the company was very fortunate in avoiding the delays and troubles which are the normal lot of the ship-owner. Several ships achieved a quite exceptional number of voyages, with correspondingly increased cargo carryings, which is unlikely to be repeated for many years to come. This, he says, largely explains the improved results of the year. Even so, he goes on, 'I do not think that the operating profits after providing normal depreciation can be regarded as satisfactory by shore based industrial standards'.

The accounts have also had the benefit of a number of non-recurrent items. The previous accounts benefited because they contained more ascertained

BALANCE SHEET AS AT 31st DECEMBER, 1963			
	1962	1963	1964
	£	£	£
<b>CAPITAL—</b>			
<b>AUTHORISED—</b>			
45,000 5½ per cent Cumulative Preference Shares of £5 each	225,000	225,000	8,590,818
£1,100,000 Ordinary Stock	1,100,000	1,100,000	4,240,818
80,000 Ordinary Shares of £5 each	400,000	400,000	4,350,000
	<u>£1,725,000</u>	<u>£1,725,000</u>	<u>13,181,636</u>
<b>ISSUED—</b>			
45,000 5½ per cent Cumulative Preference Shares of £5 each, fully paid	225,000	225,000	1,111,897
£1,100,000 Ordinary Stock	1,100,000	1,100,000	176,600
	<u>1,325,000</u>	<u>1,325,000</u>	<u>949,412</u>
<b>RESERVES AND SURPLUS—</b>			
<b>Capital Reserves—</b>			
Fleet Replacement Reserve	2,357,838	2,357,838	205,914
Other Capital Reserves	248,038	247,619	26,627
Revenue Reserves	2,145,405	2,145,066	13,079
Unappropriated Profits	203,211	111,110	990,513
	<u>4,954,492</u>	<u>4,954,492</u>	<u>1,235,952</u>
<b>CURRENT LIABILITIES AND PROVISIONS—</b>			
Provisions	15,145	41,741	—
Bills Payable	183,458	203,111	—
Provision for Final Dividend of 8½ per cent, less Income Tax, on the Ordinary Stock	57,269	50,531	—
	<u>255,872</u>	<u>255,872</u>	<u>—</u>
	<u>£6,535,364</u>	<u>£6,593,016</u>	<u>£6,593,016</u>

## NOTES

- NOTES
- (1) There are contingent liabilities amounting to £6,940 in respect of uncalled capital on Trade Investments.
- (2) A commitment on capital account as at 31st December 1963, in respect of an application for shares in an Associated Company amounts to £137,500.
- (3) The figures shown above for 1962 have been revised in order to be truly comparable with those for the year 1963.

voyage results and a smaller number of conservative estimates than had been the practice in previous years. In the present accounts this process has been completed, and the amount of estimated voyage results has been reduced as far as practicable without greatly delaying the issue of the accounts.

### Adequate Reserve

The result, however, explains the chairman, is that the profits shown in the present accounts have been inflated by about £50,000. It has also been the board's practice to build up a maintenance account over and above the actual expenditure in the early years of a ship's life in order to provide for the heavier repairs that will inevitably be required as the ship ages. Last year, £87,000 was put aside under that heading – although the build-up was behind the Exemption Order curtain. The board now thinks these reserves have reached an adequate figure and no further increase has been made.

Dividends from trade investments also include an amount of £31,134 which, as noted in the accounts, represents the final dividend from an associated ship repairing company now in voluntary liquidation. Goodwill and staff have been transferred to another ship repairing company in which Houlder has acquired an interest.

Almost inevitably, there is a reference to flag discrimination. This remains a 'serious menace', says Mr Houlder, but the shipowners of established European shipowning countries are at last beginning to get some measure of support from their respective Governments. He says: 'We all recognize the right and need of the South American countries to have an efficient mercantile marine of their own, but cannot accept as proper a situation like that prevailing in Brazil where decrees require approximately 70 per cent of the country's imports to be carried either in Brazilian flag ships or foreign ships chartered by Brazilian nationals.'

### Psychology

At one point in Mr Houlder's statement there is what seems to be an interesting exercise in shipping industry psychology. 'Looking through the Houlder Line chairman's speeches', he says, 'there is a recurrent theme that "the year just passed has not been as bad as we expected, but the outlook is much worse".'

It should be appreciated that the shipping industry has been in the doldrums for six or seven years and is only now beginning to see some prospect of slowly improving conditions. But Mr Houlder's reference to former statements does not deter him from maintaining that 'this is still the case', i.e. the 'outlook is much worse'.

But be that as it may, the directors have taken their courage into their hands in distributing a proportion of the substantial increase in profits. The dividend is raised from 10 per cent to 12½ per cent.

HOULDER LINE LIMITED				
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1963				
	1962			1962
	£	£		£
Fleet Depreciation	783,143	441,144	Profit on Trading, including Estimates (certified by officials of the Company) to 31st December, 1963, on unclosed voyage accounts after charging working expenses, management and repairs	536,180
Transfer to Repairs and Maintenance Reserve	—	87,000		799,592
Income Tax deducted from Dividends and Interest received	—	—	Income from Trade Investments (gross) (including £31,134 (1962-£2,224) from an Associated Company now in Voluntary Liquidation)	120,918
less amount recoverable	—	714	Interest on Deposits (gross)	14,667
Audit Fee	—	—		
Directors' Remuneration:	6,000	6,000		
Fees	143	152		
Other Emoluments	—	6,143		
Balance carried to Appropriation Account	—	183,900		
		<u>£973,900</u>		<u>£973,900</u>
		<u>£671,765</u>		<u>£671,765</u>
PROFIT AND LOSS APPROPRIATION ACCOUNT, 31st DECEMBER, 1963				
	£	£		£
Dividend of 5½ per cent, less Income Tax, on Preference Share Capital	7,580	7,580	Net Profit brought down	183,900
Interim Dividend of 4 per cent., less Income Tax, on Ordinary Stock	26,950	16,844	Balance brought forward from last Account	111,110
Proposed Final Dividend of 8½ per cent., less Income Tax, on Ordinary Stock	57,269	50,531		
Balance carried to Balance Sheet	203,211	111,110		
	<u>£295,010</u>	<u>£186,065</u>		<u>£295,010</u>
				<u>£186,065</u>

## CITY NOTES

ONE of the most unrewarding exercises in the stock-markets at present is attempting to find logical reasons for day-to-day changes in market tone.

There is no adequate answer beyond an attempt to assess the technical position of the market itself. Jobbers are no more of a mind to run definite positions in advance of the Budget and a General Election than anyone else.

They keep their books as small and as even as possible, with the result that a very modest amount of business either way has its effect on prices. Assessing overnight news the jobbers may be tempted to open prices a shade lower, only to be faced with a balance of small buying for no other reason than that it just happened that way.

An easier opening, or that basis, could be followed by a rally, and market commentators thereupon search for a reason for the improvement. Better news from Cyprus, improvement in some obscure industrial index or a hope that a political poll might move the right way, may be given as reasons.

But under the current thin and uncertain conditions there does not always have to be a reason, other than the technical one of the market's own position, for indeterminate price movements. The market is merely ticking over now.

\* \* \* \*

PHILIP HILL, HIGGINSON, ERLANGER'S opening of a branch in Manchester is another step in the provincial expansion of the City merchant-banking groups. Each announcement of provincial branch development is invariably accompanied by the statement that the house in question already has many customers in the North – or wherever the new branch is. That is now the spur to further development. Merchant-banking coverage in the provinces

is wider than it has ever been. Merchant banks without provincial branches will soon be in the minority. They may in fact be in the minority already.

\* \* \* \*

THE decision of the Rolls Razor and Pressed Steel companies to discontinue their production and sales agreements, and Pressed Steel opting out of domestic refrigerator manufacturing altogether, shows just how tough competition at this end of the 'consumer durables' industry really is. All Rolls washing machines are to be made by Sir Charles Colston's Tallent company – a fact which suggests that only manufacture at one plant operating at capacity can produce at a price to cover a profit for the manufacturer and for Mr Bloom's direct selling company.

\* \* \* \*

THE Council of the Building Societies' Association, which met last week-end, recommended that there should be no change in interest rates which stand at  $3\frac{1}{2}$  per cent, tax paid, on shares and 6 per cent on mortgages.

On the other hand the London County Council has this week raised its rate on mortgages from  $6\frac{1}{8}$  per cent to  $6\frac{1}{2}$  per cent. This is the first change in the rate since the home loans scheme was introduced a year ago. Loans already advanced are not affected.

The change in the London County Council rate follows from the increase in the rate of interest charged by the Public Works Loan Board. The L.C.C. does not use this organization to raise funds for its home loans schemes, but it links its interest rate to that of the P.W.L.B.

About £23 million will have been loaned by the L.C.C. for home loans by the end of the financial year which closes this month. It was expected that in the new financial year beginning on April 1st, £36 million would be required for this purpose.

## RATES AND PRICES

Closing prices, Wednesday, March 18th, 1964

Tax Reserve Certificates: interest rate 19.1.63  $2\frac{1}{4}$ %

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 $\frac{1}{8}$	Frankfurt	11.11 $\frac{1}{8}$
Oct. 5, 1961	6 $\frac{1}{2}$ %	April 26, 1962	4 $\frac{1}{2}$ %	Montreal	3.02 $\frac{3}{8}$	Milan	1748
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.09 $\frac{1}{8}$	Oslo	20.02 $\frac{1}{2}$
Mar. 8, 1962	5 $\frac{1}{2}$ %	Feb. 27, 1964	5%	Brussels	139.34 $\frac{1}{2}$	Paris	13.71 $\frac{1}{8}$
				Copenhagen	19.31 $\frac{1}{2}$	Zürich	12.10 $\frac{1}{2}$
Treasury Bills				Gilt-edged			
Jan. 10	£3 14s	3.33a%	Feb. 14	£3 15s	6.84d%	Consols 4%	65 $\frac{3}{8}$
Jan. 17	£3 14s	3.63a%	Feb. 21	£3 15s	8.80d%	Consols 2 $\frac{1}{2}$ %	42 $\frac{1}{2}$
Jan. 24	£3 14s	3.81a%	Feb. 28	£4 6s	1.66d%	Conversion 6% 1972	104 $\frac{1}{2}$
Jan. 31	£3 15s	2.01a%	Mar. 6	£4 6s	0.42d%	Conversion 5 $\frac{1}{2}$ % 1974	100 $\frac{1}{8}$
Feb. 7	£3 15s	5.97a%	Mar. 13	£4 5s	11.85d%	Conversion 5% 1971	98 $\frac{1}{8}$
Money Rates				Conversion 3 $\frac{1}{2}$ % 1969	92 $\frac{1}{2}$	Conversion 3 $\frac{1}{2}$ %	57 $\frac{1}{2}$
Day to day	3 $\frac{1}{2}$ –4 $\frac{1}{2}$ %	Bank Bills		Conversion 3 $\frac{1}{2}$ %	57 $\frac{1}{2}$	Funding 5 $\frac{1}{2}$ % 82–84	97 $\frac{7}{8}$
7 days	3 $\frac{1}{2}$ –4 $\frac{1}{2}$ %	2 months	4 $\frac{1}{2}$ –4 $\frac{7}{8}$ %	Funding 4% 60–90	94 $\frac{1}{2}$	Funding 3 $\frac{1}{2}$ % 99–04	65 $\frac{1}{2}$
Fine Trade Bills		3 months	4 $\frac{1}{2}$ –4 $\frac{7}{8}$ %	Funding 3% 66–68	91 $\frac{1}{2}$		
3 months	5 $\frac{1}{2}$ –6%	4 months	4 $\frac{1}{2}$ –4 $\frac{7}{8}$ %				
4 months	5 $\frac{1}{2}$ –6%	6 months	4 $\frac{1}{2}$ –4 $\frac{7}{8}$ %				
6 months	6–7%						

# Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

## **Bold v. Brough, Nicholson & Hall Ltd**

In the High Court of Justice (Queen's Bench Division) – October 14th, 1963

(Before Mr Justice PHILLIMORE)

*Income tax – Damages – Employment – Salary and commission – Life assurance cover – Wrongful dismissal – Award over £5,000 – Whether notional tax thereon to be deducted – Whether measure of damages includes diminution in pension, loss of life assurance cover and premiums for period after dismissal – Finance Act, 1960, sections 37, 38.*

The plaintiff entered the service of the defendant company in 1922. In 1929 he was appointed accountant and secretary, and in 1955 he became managing director. On March 8th, 1960, a service agreement was entered into, whereby the defendant agreed to employ the plaintiff as managing director for ten years from March 31st, 1959, at a salary of £4,300 a year, payable monthly, together with a commission, which, it was agreed by counsel, should be taken to be £500 a year. The employment was to continue after March 30th, 1969, unless either party gave six months' notice of determination expiring at that date or any date thereafter. The company had the right to terminate the employment, if the plaintiff became incapacitated by illness or otherwise.

In 1946 the plaintiff had joined the defendant's staff pension and insurance scheme, the premiums for which were paid by both parties. The pension thus purchased became due on the plaintiff's sixty-fifth birthday. One of the rules of the scheme provided that membership should cease on a member being discharged from the company's service, and another rule provided a reduced pension in the event of early retirement, with the consent of the company, five years before attainment of the pensionable age. In 1959 the plaintiff became a member of the defendant's discretionary pension and life assurance scheme, and by the service agreement the defendant undertook to pay all premiums payable during the period of the plaintiff's services under two policies of insurance, and to refrain from doing anything that might decrease or determine the benefits to which the plaintiff was thereby entitled.

On July 27th, 1962, the plaintiff was summarily dismissed by the defendant. It was unlikely that he would be able to obtain other suitable work. It was agreed that the salary of £4,300 included an element for expenses, and that the salary should be taken to be £4,000 a year. If the plaintiff had worked till March 30th, 1969, he would have earned £30,000, discounted down to £25,766.

In his claim for damages for wrongful dismissal the plaintiff claimed (a) £26,312 for loss of salary and commission on the basis of the cost of annuities to provide £4,000 and £500 a year until March 30th, 1969, (b) diminution in his pension, (c) loss of life assurance cover under the staff pension and assurance scheme, (d) the amount of premiums payable by the company under the discretionary pension and life assurance scheme, (e) interest.

*Held:* (1) the plaintiff was entitled to a sum based on the cost of annuities to provide his salary and commission until March 30th, 1969, namely, £26,312 less (i) £546 representing his actual earnings since dismissal, (ii) a sum for potential earnings, (iii) some amount to allow for the possibility of a serious illness giving the defendant the right to terminate the agreement; (2) inasmuch as under section 38 of the Finance Act, 1960, tax was payable only if an award of damages exceeded £5,000, the first £5,000 of the award had to be treated as though it was the total award, but as a part of the £25,766, £5,850, and on that basis the plaintiff would have paid £800 in tax on this sum; and the plaintiff was entitled to £21,000 for loss of salary and commission; (3) termination of the plaintiff's service on March 30th, 1969, would have been a discharge under a rule of the staff pension and assurance scheme, and not a leaving with the company's consent, so that the plaintiff was entitled to £729 under heads (b) and (c) as agreed; (4) the plaintiff was entitled to £5,219 under head (d); (5) accordingly, the plaintiff was entitled to total damages of £26,948 with interest thereon at 5 per cent from July 27th, 1962.

## **Commissioner of Taxes v. Nchanga Consolidated Copper Mines Ltd**

In the Privy Council – January 15th, 1964

(Before Viscount RADCLIFFE, Lord MORRIS OF BORTH-Y-GEST and Lord UPJOHN)

*Income tax – Mining companies – Fall in price of copper – Voluntary cut in production – Sum paid by one company to another to cease production for a period – Whether a deductible expense of payer company – Federation of Rhodesia and Nyasaland Income Tax Act, 1954, section 13 (1), (2) (a).*

The respondent company, together with two other companies, carried on the business of copper mining. Each company was independent of the others, but there were overlapping directorates, and each company had the same deputy chairman. There was a common sales department for handling the disposal of the output, and the copper itself was not sold as the product of any one of the three mines. In 1957 a steep fall in the price of copper on the world market occurred, and the companies, in common with other producers, decided voluntarily to cut their production, and did so early in 1958 by 10 per cent. To effect this cut it was agreed that one of the companies should

cease production for a year beginning as early in 1958 as was practicable; and that the respondent and the third company should pay a sum to the ceasing company to compensate it for abandoning its production for the year.

The sum thus paid by the respondent was £1,384,569. This amount was shown in the respondent's operating account for the period ended March 31st, 1959, as a deduction from 'sales of metals and concentrates, £26,290,987', thus reducing that item to £24,906,418.

The respondent claimed to charge the £1,384,569 as a deduction in computing its profit for tax purposes for 1958-59, but the appellant disallowed the claim on the ground *inter alia* that the payment was made in order to obtain a source of income, and was, therefore, a capital item. The respondent contended that the payment was made on revenue account as a part of its operating costs for 1958-59.

**Held:** the respondent's contention was correct, and the £1,384,569 was an allowable deduction for tax purposes for the year in question.

#### **Argosam Finance Co Ltd v. Oxby and C.I.R.**

#### **F.A. and A.B. Ltd v. Lupton and C.I.R.**

In the High Court of Justice (Chancery Division) –  
February 28th, 1964  
(Before Mr Justice PLOWMAN)

*Income tax – Dealer in stocks and shares – Loss claim – Procedure by originating summons – Whether such remedy available – Poor Law Amendment Act, 1868, section 27 – Aire and Calder Navigation Act, 1889, section 47 – Finance (1909-10) Act, 1910, section 26 – Coal Mines Act, 1911, section 96 – National Insurance Act, 1946, sections 13 (1), 43 (1) – Town and Country Planning Act, 1947, section 17 – Income Tax Act, 1952, sections 184, 341, 342 – Finance Act, 1953, section 15 (4) – R.S.C., Order 5, Rule 4.*

The plaintiff in the first case carried on trade as a dealer in stocks and shares, and returned its taxable profit for 1960-61 as £31,395. In arriving at this figure taxed dividends of £392,750 were included, and the tax deducted therefrom was £152,190. The plaintiff made a claim, under section 341 of the Income Tax Act, 1952, to repayment of tax on £361,355, the difference between the £392,750 and the £31,395.

The defendants contended that taxed dividends should be included at their gross amount in computing profits and losses for the purposes of section 341; and that, therefore, the plaintiff had not made any loss for those purposes.

The facts and contentions in the second case were similar in their nature.

The plaintiffs each took out an originating summons to determine the question.

**Held:** the Court had no jurisdiction to determine this kind of question by way of originating summons.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### **Depreciation in Accounts**

SIR, – In your issue of November 9th last you published a letter from me on the question of depreciating fixed assets, which has the effect of reducing shareholders' funds, thereby giving a false return thereon in relation to profits. One or two of your correspondents have since commented on my letter, but I would just like to say that I consider the point I endeavoured to make has been covered in the paper on 'Accounting Principles and Conventions' by Mr C. M. Jennings which appeared in *The Accountant* of January 11th.

The principle of writing down assets can only be considered a legacy of the old form of accounting, namely that owners held the view that assets should be written out of the books as quickly as possible from the profits, with the idea that the original cost of the asset had been recovered. However, in these times what that amounts to is that to take the ultimate – that is, if an asset is written down to nil – it would indicate that the shareholders can only expect a nil return. I know this is taking it to a very far-fetched degree, but the main point is surely that the asset should be shown at the correct commercial value in the accounts, which would present a more correct picture to the shareholders who, after all, are entitled to know that the true return is on the capital and assets employed.

Yours faithfully,

Auckland, New Zealand.

H. G. HILL

### **Growth of the Institute**

SIR, – Your article in the March 14th issue of *The Accountant*, whilst full of interest, fills me with dismay. You say that 'twice in recent years the Institute has taken extra premises in nearby buildings', but even now is it certain exactly what is to be done? Why cannot we be told?

Since some form of integration, with the certainty of a considerable increase in Institute membership, was already under discussion at the end of the war, I have the uneasy feeling, sir, that our Institute failed to grasp a golden opportunity then, when countless plots of land in the City must have been available. This, I know, was a matter of great grief to one Past President with whom I discussed it many years ago.

Perhaps the 'Thorneycroft frieze' has caused the Institute to cling too long to outdated premises.

Yours faithfully,

London EC3.

GEORGE FRANK, F.C.A.



# For Students

## An Application of Marginal Costing Methods

AN article in *The Accountant* of January 4th, 1964, dealt with the purpose of the marginal costing approach to problems of decision making. It is now proposed to give an example of a situation to which its application would be appropriate.

Let us imagine a company with a head office in London operating three factories, at Northtown, Southtown and Midtown, respectively. The lease of the Midtown factory is shortly to expire and its renewal will cost an extra £3,000 per annum. The board wishes to ascertain whether alternative methods of operation, say, the concentration of production at one of the other factories, would be desirable. The Midtown plant, though old, should realize on sale at least its written-down value and there should be a surplus sufficient to cover the costs incidental to closing down the factory, e.g. the removal of stocks and the compensation which the board would wish to pay to the displaced employees. Accordingly no 'termination losses' should be incurred.

A competitor has offered to take over the whole of the Midtown sales connection and to enter into a long-term agreement to pay a commission of 2s per unit on such sales.

The alternative is to transfer production to either Northtown or Southtown as each factory could be expanded, though if this is done additional fixed costs for plant charges, supervision, etc., amounting to £20,000 and £15,000, respectively, would be incurred. The supplying of the Midtown customers from the other factories would also involve additional carriage charges estimated at 2s per unit in the case of Northtown and 3s per unit for Southtown. The head office costs which are apportioned to the factories would not be affected whatever the final choice.

The latest annual accounts can be summarized as follows:

	Year ended December 31st		
	Northtown	Southtown	Midtown
Output in units ..	35,000	60,000	70,000
„ at selling price ..	£ 70,000	£ 120,000	£ 140,000
Variable manufacturing costs .. ..	£ 49,000	£ 78,000	£ 105,000
Fixed costs:			
Factory .. ..	10,000	11,000	9,000
Administration ..	3,200	4,200	4,400
Head office costs ..	2,800	4,800	5,600
Profit before taxation ..	5,000	22,000	16,000
(total £43,000)	£70,000	£120,000	£140,000

In order to tackle the problem it is necessary to prepare accounts to disclose the situation arising if the Midtown production is transferred to either of the remaining factories, as below.

Present marginal costs assumed to continue:

Northtown: £49,000 ÷ 35,000 = £1.4 per unit

Southtown: £78,000 ÷ 60,000 = £1.3 per unit

compared with  $\frac{£105,000}{70,000} = £1.5$  per unit for Midtown.

## Statement of alternative annual profits if Midtown output is transferred.

	Northtown	Southtown
Resultant output in units	105,000	130,000
Resultant output at selling price .. ..	£ 210,000	£ 260,000
Marginal costs of production (£1.4) .. ..	147,000	(£1.3) 169,000
Existing fixed costs	£	£
Factory .. ..	10,000	11,000
Administration ..	3,200	4,200
Head office .. ..	2,800	4,800
	16,000	20,000
Additional fixed costs:		
Factory .. ..	20,000	15,000
Head office .. ..	5,600	5,600
	41,600	40,600
Additional carriage:		
70,000 at 2s .. ..	7,000	10,500
70,000 at 3s .. ..		
Alternative net profit .. ..	14,400	39,900
	£210,000	£260,000
Profit as above .. ..	14,400	39,900
Add present profit of other factory .. ..	22,000	5,000
Total alternative profits	£36,400	£44,900

Clearly, the transfer of Midtown's production to Southtown is the more satisfactory alternative and would indeed increase the existing profit by £1,900. This may be shown as follows:

Savings in variable costs:	£	£
70,000 units at £1.5 - £1.3 = £0.2 ..		14,000
Less additional carriage 70,000 at 3s ..		10,500
		3,500
Savings in Midtown's fixed costs:		
which cease on closure .. ..	19,000	
Additional fixed costs at Southtown ..	20,600	
		1,600
Additional profit .. ..		£1,900

The effect of accepting the competitor's offer is as follows:

Existing profits per annum:	£	£
Northtown .. ..		5,000
Southtown .. ..		22,000
Commission per annum:		
70,000 units at 2s .. ..	7,000	
Less head office costs .. ..	5,600	
		1,400
		£28,400

A full statement of the alternative annual profits can now be made as follows:

Present profit .. ..	£ 43,000
Profit if Midtown is closed down and the output transferred	
to (a) Northtown .. ..	36,400
or (b) Southtown .. ..	44,900
Profit if Midtown is closed down and a commission accepted .. ..	28,400
Profit if the Midtown tenancy is continued at an increased rent .. ..	40,000

Although in this particular case the appropriate course of action seems abundantly clear, there are normally wider considerations to be taken into account by the

board, especially if the difference between the alternatives is comparatively small.

The marginal costing approach focuses attention on those points which are relevant to the decision, as on first sight it might appear that the augmentation of Northtown's small output would provide the more profitable alternative. This, however, is not the case, unless the new factory capacity which it is proposed to install would reduce the *overall* variable cost of production to the figure obtaining at Southtown. If this can be achieved the Northtown alternative would provide a total profit of £36,400 + £10,500 = £46,900 and would thus be the better course to adopt. Investigation into the Northtown manufacturing methods would therefore be set on foot, as the high carriage costs (which might in the future become even higher) is an unsatisfactory feature of the Southtown alternative.

### Accounting Ratios

With the upsurge of interest in management accounting, the interpretation and analyses of accounts involving the use of 'ratios' is increasing in importance to students.

We are indebted to Mr H. L. Litchfield, F.S.A.A., of Kendal, Westmorland, for the following problem illustrating the extent to which some of the more common ratios can cover the items in a simple set of accounts, and emphasizing their interrelation, which was set for accountancy students at a local technical college.

A company commenced business on January 1st, 1963. From the following information, prepare a trading and profit and loss account for the year, and a balance sheet as at December 31st, 1963.

Share capital:	
36,000 £1 ordinary shares. Issued and fully paid.	
Working capital	£6,000
Rate of turnover of capital employed (at end of year)	2
Rate of turnover of stock	12
Current ratio	1.6
Debtors' ratio	0.75
Liquid ratio	1.1
General expenses/sales	20%

#### Notes:

- (1) The current assets comprise stocks (unchanged throughout the year), debtors and cash.
- (2) Ignore depreciation and appropriation of profit.

### Solution

#### TRADING AND PROFIT AND LOSS ACCOUNT

Year ended December 31st, 1963

	£
Cost of sales	60,000
Gross profit carried down	20,000
	£80,000
	£
Expenses	16,000
Net profit for year	4,000
	£20,000
	£
Sales	80,000
	£80,000
	£
Gross profit brought down	20,000
	£20,000

#### BALANCE SHEET AS AT DECEMBER 31ST, 1963

Liabilities		£
Share capital:		
36,000 £1 ordinary shares issued and fully paid	..	36,000
Profit and loss account	.. .. .	4,000
Capital employed	.. .. .	40,000
Current liabilities	.. .. .	10,000
		£50,000
Assets		£
Fixed assets (balance)	.. .. .	34,000
Current assets:		£
Stock	.. .. .	5,000
Debtors	.. .. .	6,000
Cash	.. .. .	5,000
		16,000
		£50,000

#### SEQUENCE OF CALCULATIONS

##### 1. Current assets and Current liabilities

Current ratio	=	Current assets	..	1.6
		Current liabilities		
Working capital	=	Current assets - Current liabilities	.. .. .	£6,000
Current liabilities	=	£6,000	1.6 - 1	= £10,000
Current assets	=	£10,000 + £6,000		= £16,000

##### 2. Stock Content of Current Assets

Current ratio	.. .. .	1.6
Liquid ratio	.. .. .	1.1
Stock/Current liabilities	.. .. .	.5
Stock	= .5 × £10,000	= £5,000

##### 3. Cost of Sales

Rate of turnover of stock	.. .. .	12
Cost of sales	= 12 × £5,000	= £60,000

##### 4. Sales, Expenses, Net Profit and Capital employed

Trading and Profit and Loss Account	
Profit = Sales - (Cost of Sales + Expenses)	
(a) Profit = .8 Sales - £60,000	
Rate of turnover of capital at end of year	.. .. . 2
(Share capital + Profit) × 2 = Sales	
(b) Profit = .5 Sales - £36,000	
(a) - (b)	.. .. . .3 Sales = £24,000
	Sales = £80,000
Expenses	= 20 per cent of £80,000 = £16,000
Net profit	= £80,000 - (£60,000 + £16,000) = £4,000
Capital employed (at end of year):	
	£36,000 + £4,000 = £40,000

##### 5. Debtors and Cash

Current assets	£16,000 - Stock £5,000	= £11,000
Debtors ratio	= Debtors	.. .. . .075
	Sales	
Debtors	= £80,000 × .075	= £6,000
Cash	= £11,000 - £6,000	= £5,000

##### 6. Fixed Assets

A balancing figure of £34,000 is produced.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS CLARK, BATTAMS & Co, Chartered Accountants, of 6 Eldon Street, London EC2, announce with regret that Mr W. H. WRIGHT, F.C.A., who has been associated with the firm for more than forty-eight years, is retiring from the partnership for health reasons on March 31st, 1964. Mr WRIGHT will continue to be available in a consultative capacity. The partners also announce that on April 1st, 1964, Mr F. J. S. WILLIAMS, F.C.A., Mr G. S. MORRIS, F.C.A., and Mr G. J. FORREST, A.C.A., A.A.C.C.A., who have been associated with the firm for many years, are being admitted to the partnership. The firm name remains unchanged.

MESSRS DAVIE, PARSONS & Co, of 18 Finsbury Circus, London EC2, and Messrs OGDEN, HIBBERD BULL & LANGTON, of Audrey House, Ely Place, London EC1, who have worked in co-operation for many years past, announce that on April 1st, 1964, they are entering into a closer association. Mr J. A. POTTER, F.C.A., and Mr R. W. J. FOSTER, A.C.A., whilst remaining partners in their present firms, will also become partners in DAVIE, PARSONS & Co and in OGDEN, HIBBERD BULL & LANGTON respectively. The practices will continue to be carried on as at present from Finsbury Circus and Ely Place. Mr L. E. PARSONS, M.C., F.C.A., and Mr H. A. ESDEN, F.C.A., who have been partners in DAVIE, PARSONS & Co for many years, are retiring on March 31st, 1964, but have agreed to remain available as consultants to that firm.

MESSRS ALFRED HARRIS & TROTTER, Chartered Accountants, announce that as from March 23rd, 1964, their address is 38 Upper Grosvenor Street, Grosvenor Square, London W1.

Mr P. A. HAWKINS, A.A.C.C.A., commenced practice on his own account at Franklin House, 3 Commercial Road, Hereford, on March 1st, 1964.

MESSRS JACKSON, DOWNARD & Co, Chartered Accountants, of 56 Ennismore Gardens, London SW7, and 2 High Street, Sutton, Surrey, announce with regret the death on March 7th of Mr WILLIAM GEORGE MASTERMAN JACKSON, M.A., F.C.A. The practice will be continued under the same style and at the same addresses by the remaining partner, Mr J. G. DOWNARD, F.C.A.

MESSRS A. JOSEPH & Co, Chartered Accountants, and Messrs KALMAN, PAUL & Co, Accountants, of Carlisle House, 8 Southampton Row, London WC1, announce that they have recently opened an office in the name of KALMAN, PAUL & Co at Sennhauserweg 20, Zürich 7, Switzerland, where the resident partner is F. W. RÖLLIN, member of the Association Suisse des Experts-Comptables.

MESSRS OGDEN, HIBBERD BULL & LANGTON, of Audrey House, Ely Place, London EC1 and Messrs DAVIE, PARSONS & Co, of 18 Finsbury Circus, London EC2, who have worked in co-operation for many years past, announce that on April 1st, 1964, they are entering into a closer association. Mr R. W. J. FOSTER, A.C.A. and Mr J. A. POTTER, F.C.A., whilst remaining partners in

their present firms, will also become partners in OGDEN, HIBBERD BULL & LANGTON and in DAVIE, PARSONS & Co, respectively. The practices will continue to be carried on as at present from Ely Place and Finsbury Circus.

MESSRS ROBSON, MORROW & Co announce that Mr ARCHIBALD F. BLACK, C.A., F.C.W.A., has been admitted to the partnership as from January 1st, 1964.

MESSRS WALKER, NEWMAN & Co, Chartered Accountants, of 6 Cavendish Square, London W1, announce that they have admitted to partnership, as from March 20th, 1964, Mr MICHAEL AUGUSTUS FREEDMAN, A.C.A. The name of the firm remains unchanged.

## Appointment

Mr G. A. Rider, F.C.W.A., has been appointed managing director of Birmid Industries Ltd in succession to Mr Edward Player, C.B.E., who will shortly be retiring.

## COMPANY INVESTIGATION

Mr H. Pyzer, F.C.A., a chief accountant at the Board of Trade, has been appointed under section 165 (b) of the Companies Act, 1948, to investigate the affairs of Copestake, Crampton & Co Ltd.

## OBITUARY

### William Cecil Sneath, F.C.A.

It is with regret that we record the death on March 6th, a fortnight before his ninety-first birthday, of Mr William Cecil Sneath, F.C.A., a former partner in Price Waterhouse & Co. Mr Sneath's father, George Sneath (1842-1922), who retired in 1913, was one of the early partners in the firm, having been admitted to partnership in 1875 after ten years' service on the staff, and was one of the original members of the Institute.

W. C. Sneath, who was educated at University College School, entered into articles with a partner in Price Waterhouse & Co in 1891 and thereafter continued as a member of its staff until his own admission to partnership in 1907. In his younger days, before United Kingdom accountants developed to any material extent the practice of opening offices overseas, he did much foreign travel on behalf of his firm and immediately after qualifying as a member of the Institute in 1896 he worked for a time in the firm's then recently-established Chicago office.

A kindly, unassuming man, Mr Sneath won the affection of his associates and employees and played a devoted part in public and charitable work. After his retirement from practice he became a governor of St Bartholomew's Hospital and a member of the council of the Royal Albert Hall, of which he served as treasurer from 1939 to 1952. He was a devout member of the Church of England and treasurer for many years of St John's Church, Hove, in which town he lived after his retirement. In the year 1922 he was master of the Chartered Accountants' Lodge. In 1898 he married Elizabeth Buck who predeceased him; he is survived by a son and daughter.

**THE INSTITUTE OF COST AND  
WORKS ACCOUNTANTS****President's Luncheon**

The President of The Institute of Cost and Works Accountants, Mr C. Eric Power, F.C.A., F.C.W.A., gave a luncheon party last Wednesday, March 18th, at 63 Portland Place, London W1. Those present were:

Mr E. F. Brown, F.C.W.A.; Sir John Cockcroft, O.M., K.C.B., KT, C.B.E., F.R.S., Master, Churchill College, Cambridge; Mr H. J. Furness, F.C.W.A.; Mr I. T. Morrow, C.A., F.C.W.A.; Sir Edward Muir, K.C.B., Permanent Secretary, Ministry of Public Building and Works; Sir Edward Playfair, K.C.B., President, The British Computer Society Ltd; Mr F. W. H. Saunders, F.C.W.A.; Mr F. J. Stephens, Chairman, The 'Shel' Transport and Trading Co Ltd; The Rt Hon. Harold Watkinson, C.H., M.P., Group Managing Director, Schweppes Ltd; The Rt Hon. Lord Wilmut of Selmeiston, P.C., J.P., Chairman, Illingworth Morris & Co Ltd; Mr Derek du Pré, Secretary of the Institute.

**EDITOR-IN-CHIEF'S OVERSEAS TOUR**

The Editor-in-Chief of *The Accountant*, Mr Percy F. Hughes, together with Mrs Hughes, returned to London this week after a two-month tour in the course of which they visited India, the Philippines, Australia, New Zealand and Canada. Reference was made to the early part of the tour in *The Accountant* of February 22nd.

While in New Zealand, Mr Hughes attended the first Summer School of the New Zealand Society of Accountants and addressed members on the differences between the tax systems of the United Kingdom and New Zealand and indicated that if the United Kingdom entered the European Common Market there was likely to be a swing from direct to indirect taxation. Later, Mr Hughes addressed a luncheon meeting of the Society's Auckland Branch and took part in a radio interview.

In Canada, Mr Hughes addressed members of the Canadian Institute of Chartered Accountants and representatives of the Vancouver Tax Office at a meeting in Vancouver arranged by The Institute of Chartered Accountants of British Columbia. Following his talk on 'Some aspects of United Kingdom taxation', he was presented with a pair of gold cuff links with the crest of the British Columbia Institute. The next day, Mr Hughes spoke to accountant students at the University of British Columbia on the need for care in the preparation of accounts, with particular reference to *The Accountant* Annual Awards. In the evening, he and Mrs Hughes were guests at a dinner dance given by the Wives' Club of The Institute of Chartered Accountants of British Columbia.

In Toronto, his last 'port of call' before the homeward journey, Mr Hughes met officers and members of the Canadian Institute and the Canadian Tax Foundation.

**THE CHARTERED ACCOUNTANTS'  
BENEVOLENT ASSOCIATION****Annual Meeting**

The annual meeting of the Board of Governors of The Chartered Accountants' Benevolent Association will be held at 2.15 p.m. on Wednesday next, at City House, 56/66 Goswell Road, London EC1.

**Executive Committee Meeting**

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., President of the Association, and ten members were present.

*Applications for Assistance*

Eight new applications for assistance were considered. In four cases a grant was made and in two cases a donation was given; two applications were refused.

One new case concerned a member who died of cancer at age 31. He was employed in industry and left a widow with three sons aged 6, 4 and 4. Apart from a very small amount from investments her only income is the widowed mother's allowance. A grant of £200 per annum was given.

Twenty-two applications for further assistance were considered; in sixteen cases the grant was renewed; in two cases the grant was increased and in four cases it was reduced on account of improved circumstances.

*Matters Reported*

Nineteen cases were reported where changes in circumstances had occurred and grants were adjusted or donations made in appropriate cases.

It was reported that a member had been accepted by Crossways Trust for residence in their home at Hurst Grange, Worthing.

*Special Fund*

One application for further assistance was considered and a grant was made.

**IN PARLIAMENT****Company Law**

Miss QUENNEL asked the Secretary of State for Industry, Trade and Regional Development what study his department is making of the findings of the Jenkins Committee on Company Law, which were published in June 1962; and when these studies will be completed.

Mr HEATH: The Committee made over four hundred recommendations affecting many important aspects of company law. My Department, in consultation with others concerned, has been closely engaged in examining these recommendations, and I hope that before the end of the Session I shall be able to inform the House of the Government's proposals on the principal issues that the Committee has raised.

*Hansard*, Mar. 11th, 1964. Written Answers. Col. 71.

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## ECONOMIC DEVELOPMENT COMMITTEES

The National Economic Development Council last week announced the establishment of the first five of its Economic Development Committees covering the chemical, confectionery, machine tools, electronics, and paper and board industries. The committee dealing with the last-named industry will be under the chairmanship of Sir Thomas Robson, M.B.E., M.A., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and a partner in Price Waterhouse & Co.

The task of the committees is twofold. They will inform the National Economic Development Council of the economic performance, prospects and plans of their industry and assess its progress in relation to the national growth targets; and they will report on ways of improving the industry's performance, competitive power and efficiency.

Although consisting mainly of representatives of management and unions, each committee has other members with special knowledge and experience, together with nominees of Government departments and of the National Economic Development Office.

THE LEEDS, BRADFORD AND DISTRICT  
SOCIETY OF CHARTERED ACCOUNTANTS

A spring meeting is to be held by The Leeds, Bradford and District Society of Chartered Accountants at the Cairn Hotel, Harrogate, from May 29th-31st. A full programme for members and their ladies is being arranged. The business sessions will include papers by Mr W. E. Parker, C.B.E., F.C.A., on 'Limited companies - some problems posed by the Jenkins Report', and by Mr Philip Shelbourne, Q.C., on 'The relationship of tax to finance and business decisions'.

BROMLEY AND SOUTH EAST LONDON  
DISCUSSION GROUP

The first annual dinner of the Bromley and South East London Discussion Group is to be held at the Royal Bell Hotel, 175 High Street, Bromley, Kent, on Tuesday, April 14th. The Mayor and Mayoress of both Bromley and Beckenham will be the principal guests, together with Mr E. K. Wright, M.A., F.C.A., a member of the Council of the Institute, Mr D. Napper, F.C.A., a member of the Committee of the London and District Society of Chartered Accountants, and representatives of the Bromley branch of The Association of Certified and Corporate Accountants.

Members of the Group who have not yet applied for tickets (price 20s each) are asked to write, by March 25th, to Mr D. E. Egerton, A.C.A., 35 Kingsway, Petts Wood, Kent.

THE INSTITUTE OF CHARTERED  
ACCOUNTANTS IN ENGLAND AND WALES

## Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- A.B.C. Guide to the Practice of the Supreme Court 1964; by W. H. Redman. (Sweet & Maxwell, 21s.)
- Accounting: an analysis of its problems; by M. Moonitz and L. H. Jordan. New York. 1963. (Holt, Rinehart & Wilson, 80s.)
- Acquisitions and Mergers; by G. D. McCarthy. New York. 1963. (Ronald Press, 120s.)
- Administrative Action: the techniques of organization and management; by W. H. Newman: second edition. 1963. (Pitman, 45s.)
- Advance Accounting Simplified; by R. G. Creecy. 1963. (Gordon, Arlen, 29s 6d, presented.)
- The Advertising Rate Structure in the Daily Newspaper Industry; by J. M. Ferguson. Englewood Cliffs, U.S.A. 1963. (Prentice-Hall, \$1.00.)
- Auditing Standards and Procedures: (codification). American Institute of Certified Public Accountants. New York. 1963. (A.I.C.P.A.)
- Chalmers on Bills of Exchange . . . ; by Sir M. D. Chalmers: thirteenth edition by D. A. L. Smout. 1964. (Stevens, 70s.)
- Circulation Accounting: methods and procedures manual. (Institute of Newspaper Controllers and Finance Officers.) New York. 1958. (I. of N.C. & F.O., presented, \$15.00.)
- Classified Advertising Accounting: methods and procedures manual. (Institute of Newspaper Controllers and Finance Officers.) New York. 1958. (I. of N.C. & F.O., presented, \$20.00.)
- Contemporary Problems of Land Ownership. (Cambridge University.) Cambridge. 1962. (C.U., 21s.)
- Cost Allocation Procedures for Newspapers. (Institute of Newspaper Controllers and Finance Officers.) New York. 1962. (I. of N.C. & F.O., presented, \$25.00.)
- Determining Manpower Capabilities in an Organization; by Dr A. P. Polin. 1961. [Typescript]. (Industrial Education International, 35s.)
- Dictionnaire Juridique . . . (droit, finances, commerce . . . ); by T. A. Quemner. Paris. 1953. (Editions de Navarre, 100s.)
- Les Diligences normales en matière de travail comptable. (Ordre des Experts Comptables et des Comptables Agréés.) Paris. (1963). (O.E.C.C.A.)
- Display Advertising Accounting: methods and procedures manual. (Institute of Newspaper Controllers and Finance Officers.) New York. 1960. (I. of N.C. & F.O., presented, \$25.00.)
- The Education of American Businessmen: a study of university-college programs in business administration; by F. C. Pierson (and others). New York. 1959. (McGraw-Hill, 66s.)
- The Effect of Capital Structure on the Cost of Capital: a test and evaluation of the Modigliani and Miller propositions; by A. Barges. Englewood Cliffs, U.S.A. 1963. (Prentice-Hall, \$1.00.)
- Evaluation of Newspaper Property. (Institute of Newspaper Controllers and Finance Officers.) New York. (1956). (I. of N.C. & F.O., presented, \$5.00.)

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- Elements of Taxation; by R. G. Williams, F.C.A.: ninth edition. 1963. (Donnington Press, 21s.)
- Exhibition Accounts and Finance and the system of checking income and expenditure: a paper; by J. M. Macleod. Glasgow. 1963. (James MacLehose, presented by International Computers and Tabulators.)
- Financial Reporting in Canada. (Canadian Institute of Chartered Accountants): fifth edition. Toronto. 1963. (C.I.C.A., \$5.00.)
- Four Centuries of Banking as illustrated by . . . Martins Bank Ltd; by G. Chandler. Volume 1. 1964. (Batsford, 35s.)
- Income Tax Act annotated . . . to 1963 . . .; by H. H. Stikeman. Toronto. 1963. (Richard De Boo, 60s.)
- Income Tax Law and practice; by H. G. S. Plunkett and C. A. Newport: twenty-ninth edition. 1961. Second supplement 1964. (Sweet & Maxwell, 50s and 10s 5d). [Previous editions by C. A. Newport and H. G. S. Plunkett].
- Insurance Guide for Newspapers. (Institute of Newspaper Controllers and Finance Officers). New York. 1962. (I. of N.C. & F.O., presented, \$20.00.)
- The Law of Stamp Duties; by J. G. Monroe: third edition. 1961. Supplement 1963. (Sweet & Maxwell, 42s and 7s 6d.)
- Law for Technologists; by R. Douglas. 1964. (Gee, presented, 30s.)
- Library Catalogue. (Institute of Cost and Works Accountants). 1963. (I.C.W.A., presented.)
- London Business House Histories: a Handlist. (Guildhall Library). (1963). Corporation of London, presented.)
- Management Standards for Data Processing; by D. H. Brandon. New York. 1963. (Van Nostrand, 93s.)
- Mathematical Programming and the Analysis of Capital Budgeting Problems; by H. M. Weingartner. Englewood Cliffs, U.S.A. 1963. Prentice-Hall, \$1.00.)
- Offenders as Employees: an enquiry by the Cambridge Institute of Criminology; by J. P. Martin. 1962. (Macmillan, 37s 6d, presented.)
- Organizing for Effective Systems Planning and Control. (American Management Association). New York. 1956. (A.M.A., 40s.)
- Payroll Records and Procedures for Newspapers. (Institute of Newspaper Controllers and Finance Officers). New York. 1963. (I. of N.C. & F.O., presented, \$20.00.)
- The Practice of Public Accounting; by A. Donnelly: second edition. Sydney. 1963. (Butterworths, 44s.)
- Principles and Practice of Accident Insurance; by W. A. Dinsdale: sixth edition. 1963. (Buckley, 25s.)
- Profitability Accounting for Planning and Control; by R. Beyer. New York. 1963. (Ronald Press, 80s.)
- Programmed Learning in Perspective: a guide to programme writing; by C. A. Thomas, I. K. Davies (and others). 1963. (City Publicity Services, 28s.)
- Reducing Costs with Automatic Control; by W. G. Holzbock and J. H. Kogen. Boston, Massachusetts. 1961. [Type-script]. (Industrial Education Institute, 35s.)
- Report on the Census of Distribution and other Services 1961: Part II: area tables: North-western region. (Board of Trade). 1964. (H.M.S.O., 4s.)
- The Role of Air Freight in Physical Distribution. (Harvard University). Boston, U.S.A. 1956. (H.U., 21s.)
- Sampling in Auditing: a simplified guide and statistical tables; by H. P. Hill, J. L. Roth and H. Arkin. New York. 1962. (Ronald Press, 44s.)
- The Secretarial Handbook: a practical guide to a secretary's duties under the Companies Act, 1948; by E. Westby-Nunn: fifth edition. 1953. First supplement 1964. (Solicitors' Law Society, 9s 6d and 5s.)
- Standard Chart of Accounts for Newspapers. (Institute of Newspaper Controllers and Finance Officers). New York. 1961. (I. of N.C. & F.O., presented, \$15.00.)
- Statistical Decision and Related Techniques in Oil and Gas Exploration; by G. M. Kaufman. Englewood Cliffs, U.S.A. 1963. (Prentice-Hall, \$1.00.)
- Top Executive Pay Package; by L. R. Burgess. New York. 1963. (Free Press of Glencoe, 40s.)
- Value Added Turnover Tax. (Federation of British Industries). 1963. (F.B.I., 6s.)
- Willing to Purchase; a study in contract; by P. Ash. 1963. (Heriot, 37s 6d.)

### PUBLIC LIBRARY STATISTICS

Details of staff employed and book stocks in public libraries in England and Wales, together with an analysis of costs per 1,000 population, figures of net rate borne expenditure on the service, and the rate equivalent of that expenditure are given in the public library statistics for the year ended March 31st, 1963, issued recently by The Institute of Municipal Treasurers and Accountants in conjunction with The Society of County Treasurers.

The average net expenditure per 1,000 population for the 424 local government authorities included in the publication was £483 1s. The cost of employees represented 48 per cent of the total expenditure; books, newspapers and periodicals, 25 per cent; and premises 11 per cent. In the case of county boroughs, county councils, and metropolitan boroughs, net rate borne expenditure at £16,879,938 showed an increase of 9.3 per cent on the expenditure for 1961-62.

Copies of the statistics are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, London SW1, price 10s 6d, post free.

### ANNOTATED TAX CASES

Part 7 of Volume XLII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is now published and contains reports with notes on the judgments of the following cases: *Postlethwaite v. C.I.R.* (Ch.D.); *Dell v. Gray* (Ch.D.); *Rose v. Trigg* (Ch.D.); *C.I.R. v. Hood Barrs* (Ch.D.); *George Peters & Co Ltd v. Smith, Williams v. J. J. Young & Son Ltd* (Ch.D.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

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# THE ACCOUNTANT

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## Pilot Without Power

THE present year should witness a continuing upsurge in demand; investment in both the public and private sectors is expected to expand. But, while exports are expected to benefit from the continued expansion in world trade, imports will increase still faster. Such is the view of the National Economic Development Council in its latest report, *The Growth of the Economy*, published this week (H.M.S.O. 8s 6d) and it will no doubt govern the shape of the Budget.

The primary purpose of the report is to review the extent to which the growth of the United Kingdom economy since 1961 matches up to the plan formulated in the N.E.D.C.'s earlier report, *Growth to 1966*. On the whole, the progress made to date is regarded as reasonably satisfactory, but the opportunity has been taken to review the targets. Thus the 4 per cent annual increase in imports planned for 1961-66 has been revised to 4.7; fixed investment is slightly lower at 5.2 per cent against 5.3, and exports correspondingly higher at 5.1 per cent compared with 5.0 per cent. The predicted expansion in consumer expenditure is also marginally lower. This latter point, coupled with the warning that unless about one quarter of the increase in personal incomes is saved then 'measures to stimulate private savings, or increase the Government surplus, might be required', make it clear why Mr MAUDLING felt it necessary to warn the public of possible increases in taxation.

The relatively modest growth apart, this report is a disappointing document. It explains that there have been occasions in the past when rapid economic recovery has been followed by years of more or less static production and productivity. In certain respects, notes the report, the 'prospects are more favourable but achievement of sustained economic expansion will involve the solution of difficult problems'. The problems, needless to add, are the same old difficulties that have produced the 'stop-go' policies in past years; i.e., the need to increase manufacturing investment; the need for training more skilled workers; a more balanced demand for labour between the regions; the need to expand exports, and last but not least, the need to achieve a broad stability in the general level of costs and prices.

Except possibly as a means of informing public opinion, such statements are pointless. The entire *raison d'être* of the N.E.D.C. was to evolve, through effective consultation between the Government and both sides of industry, plans and procedures to overcome these difficulties. The Council must be judged by the extent to which it achieves these objectives.

## A Warning to the Profession

TWO recent reports on the subject of qualifications for business management, one from a private source and the other from the Ministry of Education, may well have a considerable bearing on the future development of the accountancy profession<sup>1</sup>.

The first report, written by Lord FRANKS at the invitation of a small group of business men associated with institutions representing various commercial and economic interests, considers the proposition that one or more business schools of the highest quality should be inaugurated in the United Kingdom. Lord FRANKS, after considering written and oral evidence from about one hundred and fifty persons and organizations including The Institute of Chartered Accountants in England and Wales and The Institute of Cost and Works Accountants and taking into account such factors as the type of student envisaged and problems of environment, constitution, staffing and finance, makes the five following recommendations:

- (1) That two business schools of high quality be established in Britain.
- (2) That each be part of a university but enjoying considerable autonomy as a partnership between the university and business.
- (3) That these business schools be situated within major industrial and commercial conurbations.
- (4) That these business schools offer courses for both post-graduation and post-experience students.
- (5) That one business school be associated jointly with the London School of Economics and Imperial College of the University of London, and the other with Manchester University.

The second report, published on Monday, is the work of the National Advisory Council on Education for Industry and Commerce, a body sponsored by the Ministry of Education. The text has not the direct incisiveness of Lord FRANKS's prose – possibly because it is a composite effort – but the conclusions and recommendations are unequivocal. Asked to examine the nature and extent of the likely demand for a higher award in business studies, broadly the equivalent of the Diploma in Technology instituted in 1961, the Council makes a number of positive recommendations which may be summarized thus:

- (1) The courses should consist of academic work in college associated with practical work, to be organized on the sandwich basis.
- (2) The courses should provide an advanced general education for business combined with practical training in business. The academic content of the courses should cover three basic disciplines – economics, sociology and mathematics.
- (3) The minimum academic standard of entry for the courses should be five passes in the G.C.E. including at least two at 'A' level, or the recognized equivalent.
- (4) Courses should be conducted only at colleges where the staff, the library and other facilities are adequate.

Both reports are disarming in their references to the relationships between the qualifications offered by the proposed colleges and courses and those which already exist for the education and training of management. Lord FRANKS thinks that two business schools could deal only with a small fraction of existing and potential managers and that they would be no more than a reinforcement at the national level. More specifically, the Ministry of Education's report suggests that the courses outlined would form a general preparation for a business career and would not be geared in any way to the examination requirements of the professional bodies. The aim of the subject-matter of the courses, it is stated, would not be to produce professional lawyers and accountants.

Nevertheless, there is a warning inherent in the proposals which the accountancy profession cannot ignore and that is, that many of the qualified accountants who gravitate to industry may in future find the path to promotion blocked by a phalanx of bright young 'diplomats' who have taken a more direct route to the executive suite. The long-term effect of this on recruitment might be serious, particularly for the practising side of the profession which, at a time when it is beginning to develop a comprehensive series of management services for clients, might find itself with a correspondingly smaller share of the best talent available for retention as partners and managers. The remedy may lie in a more radical revision of the examination syllabuses than has yet been attempted but, in any action that is taken, it must be remembered that in this accelerated age the saving of time is essential not only to progress but to preservation.

<sup>1</sup> *British Business Schools* (British Institute of Management, London. 5s net).  
*A Higher Award in Business Studies* (H.M.S.O. 1s 9d net).



## Guesstimates in Company Accounts

RECENT public discussion on the significance of fluctuations in the monthly external trade figures of the United Kingdom may have served a purpose in reminding the public of the uncertain and unstable statistical sands upon which so much of modern economic planning is based. One need only compare successive issues of the National Income and Expenditure Blue Book to realize, in the light of recurrent revisions of various figures, just how tenuous some key series are.

A recent American study makes all these points and more, in an examination of the statistical basis for economic policy formulation<sup>1</sup>. Reviewing the much discussed topic of economic growth, the author comments that 'the data, upon which estimates of growth are made, are limited and untrustworthy'. As for the popular political exercise of making international comparisons of economic development, he asserts that the comparisons made in recent years are pointless, since they are based upon data which are 'worthless'.

Accountants, who have long since suspected such figures, have often comforted themselves with the thought that in their own field figures mean just what they say. Professor MORGENSTERN does not share these views. And, 'since business accounts constitute the single most important source of information about the economic activity of the nation' he questions the adequacy of accounts for economic planning.

Professor MORGENSTERN argues that the root problem stems from the existence of inflation. This invalidates the accuracy of accounts in two ways. First, it becomes impossible to measure the real, as distinct from money, growth in profits. Secondly, asset values divorced from replacement costs tend to be useless as an indicator, either of the real worth of the invested capital or the rate of return earned upon capital. There are, of course, many accountants who would agree with these complaints. At the same time they would point out that financial accounting statements are not intended to guide

economic statisticians, but to inform shareholders.

However, even on this score the author is far from satisfied. He points out that both the balance sheet and the operating statements represent a mixture of figures which belong in widely separate categories. For example certain assets, e.g. cash, are known to a high degree of accuracy; others, such as fixed assets, are often valued on a subjective basis; while certain fictitious assets, such as goodwill, are subject to all sorts of considerations.

In the opinion of the author, present balance sheets contain an element of expectation and speculation, and there cannot be an expectation without a probability attached to it. Thus, he suggests that the entire range of asset values should be estimated on some probabilistic basis by reference to the likelihood that the book values may be achieved. Only if such principles were uniformly applied, he asserts, would it be possible to compare balance sheets of different companies and aggregate their contents for economic and statistical purposes.

The profit and loss account, says Professor MORGENSTERN, is subject to even more serious defects since 'what a profit or loss is depends on some theory which can never claim to be as convincing as a statement of the hard facts that certain sums of money were received and others paid out,' i.e. as in a balance sheet. The difficulty of measuring profits derives from the lack of a uniformly acceptable definition of 'cost'; quite apart from changes in the value of money.

Business, asserts the Professor, 'is transacted in the illusion of dealing with "accuracy" where there is none in an ordinary or scientific sense'. For all the information apparently at the disposal of accountants and economists, it is the author's view that information about the economy is limited and certainly considerably less than is fancifully believed to be the case.

The lessons to be drawn from Professor MORGENSTERN's thesis, whether one accepts it in its entirety or not, seem to be that both accountants and economists have a lot to learn and that they could make a useful beginning by considering each other's problems. He may well be right.

<sup>1</sup> *On the Accuracy of Economic Observations*, by Oskar Morgenstern. Princeton University Press and Oxford University Press. Price 52s net.

# The Taxation Factor in Investment Decisions

## A SIDE-LIGHT ON THE RICHARDSON REPORT

by DESMOND GOCH, A.A.C.C.A., A.M.B.I.M.

ONE of the more valuable by-products of Royal Commissions and Government committees is the wealth of statistical and other information which they amass during their inquiries and eventually publish in their reports for dissemination to a wider public.

The recent Report of the Committee on Turnover Taxation – more familiarly known as the Richardson Committee – has conformed to this welcome pattern, and indeed impresses one by the extent to which its members pursued their inquiries in their effort to resolve the arguments that were provoked by the original turnover tax proposals. Quite apart from its main purpose, however, the report reveals an interesting aspect of the thinking of some of the big firms when making their investment decisions which should prove of interest to many financial advisers.

One of the arguments advanced in favour of introducing a turnover value-added tax was that by substituting it for the present profits tax, the penalty thus imposed on firms with high labour costs would act as an extra inducement for them to invest in new labour-saving plant and equipment. It is not proposed to reiterate in this article the arguments for and against such a point of view – and in any event, the committee's report has disposed of them with demonstrable success.

### Unusual Insight

However, in its pursuit of further knowledge of the probable practical effect of a turnover tax on industry as a whole, the committee approached seventeen major business organizations and asked them (*inter alia*) to state what effect, if any, such a tax would have on their capital investment programmes at home and overseas. The inquiry covered a broad range of British industry comprising ten manufacturing companies, one building and civil engineering contractor, one manufacturer with substantial interests in distribution, one large retailing chain firm, an oil company, and three nationalized undertakings.

It is at this point, when the committee was

inquiring about taxation in relation to investment decisions, that the interested bystander is afforded an unusual insight into the attitudes of the top firms towards one of the factors which might be expected to influence those decisions when assessing a project. Over the past few years the techniques for gauging the potential profitability of capital projects have become of ever-increasing interest to financial advisers. A number of papers have been written, and lectures and seminars have been held to discuss the respective merits of the return on capital employed, pay back, or discounted cash flow methods of assessment, and there is now a great deal of common knowledge of their application.

### Importance of Underlying Assumptions

However, without decrying the importance of this sophisticated arithmetic, the real worth and validity of any appraisal of a capital project must depend on the quality of the underlying assumptions governing the data that is fed into the computing machine. If the wrong sort of guesses are made, or if major factors are ignored, then no mathematical finesse will correct the resulting errors. It therefore comes as a surprise, at least to this writer, to read in the committee's report that almost all the seventeen organizations looked principally at the return before payment of tax when making their assessments. Only three witnesses, apparently, said they looked principally at the return after payment of tax, although some of the others admitted that they were beginning to do so.

It seems that the witnesses justified this somewhat ambivalent attitude on the grounds that it was the profitability of a project before tax which provided the financial motive to proceed with it, and if it proved successful the profits provided the funds out of which to pay the tax. One wonders if the dispassionate prose of the committee's report conceals the fact that these witnesses felt the need to defend their attitude when being pressed on the logic of this approach.

But, more surprisingly, some witnesses also said that in making their investment decisions it was necessary to look ahead over a period of years and, since it was impossible to forecast tax changes, it was better to leave this element of uncertainty out of the calculations. Almost, in fact, like sweeping the dust under the carpet and pretending it's not there!

Future taxation changes, like future changes of Government policy, are matters that are wide open to speculation, but even so, any attempt at forward forecasting necessarily involves an element of guesswork, and the risk of error or misjudgement is no greater because it is levels of taxation rather than levels of trading or economic activity which are the subject of the guessing. Taking any sort of view of the future entails making an assessment of the potential market for the product which will come from the projected plant, and that in turn implicitly accepts taking a view of, among other things, future taxation trends – either direct (income and profits tax) or indirect (purchase tax). It seems a little odd that the forward planner who has jumped all the hurdles thus far should then cry off at the last and most important fence.

The concept of 'before tax' or 'after tax' profitability is one that can legitimately exercise the intellectual capacity of financial experts, but the viewpoint they choose to take must be defensible whichever approach they eventually favour. However, with capital expenditure allowances at their present high level (and with 'free' depreciation for projects in the development districts), it seems that the taxation charge is a material factor that is too large to ignore. Indeed, it is the essence of the discounted cash flow method of capital project analysis that the timing of the cash flow – and hence the timing of the year-to-year tax charges – should be given due weight in making an evaluation.

### Unrealistic Approach

It would be interesting to extend the Richardson Committee's inquiry to include information on the method of capital project assessment normally used by these seventeen organizations. The increasing acceptability of the discounted cash flow concept, when considered in conjunction with the very favourable taxation treatment accorded to capital projects undertaken in the development areas where some of these firms have their manufacturing capacity, makes their present attitude look a trifle unrealistic. It might help to get the problem into perspective

by examining the following table (taken from page 88 of the committee's report) which shows (a) the capital allowances available on each £100 of investment in new plant and machinery, and (b) the total tax due on the profits earned in each year, at the different rates of return assumed. The figures make it abundantly clear that on a cash flow basis the taxation factor cannot be lightly disregarded.

	Year 1	Year 2	Year 3	Year 4	Year 5
Capital allowances available:					
Investment allowance ..	30	—	—	—	—
Initial allowance	10	—	—	—	—
Annual allowance	15	11.25	9.5	8.1	6.9
Tax due on annual gross return of:					
15 per cent ..	NIL	NIL	NIL	NIL	NIL
20 per cent ..	NIL	NIL	NIL	1.0	5.3
25 per cent ..	NIL	0.2	1.5	8.5	9.5
33½ per cent	0.5	2.3	12.0	13.3	14.0

### Interesting Contrast

It makes an interesting contrast to compare the attitude of these firms to the taxation factor in investment decisions with their attitude on taxation in relation to pricing policy. The nationalized industries had either accumulated losses or capital allowances to carry forward for some years ahead, and so they were not really involved in this aspect of the committee's inquiries, but the commercial organizations almost to a man agreed that a turnover value-added tax would be treated as a cost to be recovered, if possible, in the product prices. On the other hand, the profits tax was not so regarded and it was thought that its abandonment would be unlikely to result in any significant price reductions.

It is, unfortunately, all too rarely that British industry gives the researcher an opportunity to read its corporate thoughts and examine its motives in this fashion. The Richardson Committee deserves thanks not only for the very effective way in which it has settled the turnover tax controversy, but also for providing this brief glimpse of the background to investment decision-making in the big firms. The investigation was worth while for that alone.

# Calculating the Capital Element in Annuities

by LAURENCE WEBLEY

THE possible effect of the operation of the Income Tax (Purchased Life Annuity) Regulations in penalizing, if that is the right word, annuitants in respect of substantial fractions of a year was illustrated recently in *Rose v. Trigg*. The taxpayer in question sought to challenge the suitability of the prescribed tables in the Courts.

The relevant legislation is, of course, the Finance Act, 1956, sections 27 and 28 of which provide for the exemption from tax of the estimated capital element of purchased life annuities and for the appropriate procedure. The purchase consideration is excluded from the annuity payments by equal annual amounts, making the taxable element the same every year.

## Actuarial Calculation

The calculation is on an actuarial basis and the method adopted is similar to that used in Canada; it is, indeed, based on that system. The actual purchase sum is divided by the expectation of life at the time when the payments of the annuity begin to be made.

In the case concerned, Rose, the appellant taxpayer, purchased an annuity of the value of £199 annually. The Inland Revenue calculated that the capital element amounted to £129 per annum. The calculation was based on the (a) 55 Tables in the tables published by the Cambridge University Press in 1953. These are the tables prescribed by the Commissioners for this purpose in Regulation 6, Income Tax (Purchased Life Annuity) Regulations 1956.

When his annuity began, Rose was  $65\frac{3}{4}$  years of age, but for the purpose of calculating the capital element of the annuity his age was taken as 65. Subsequently, the Government Actuary certified under Regulation 6 that the actuarial value of the annuity was £3,170, and on that basis that the capital element was slightly less than £129.

The applicant contended that the (a) 55 Tables were not appropriate to his case in that they were based only on the section of the population

dealt with by the insurance companies. He argued that it would be more appropriate to use the Registrar-General's tables which covered a much wider section of the population.

In considering the appeal the judge reviewed the statutory position in some detail. He pointed out that it was the 1956 Finance Act that had first introduced the system, beneficial to the taxpayer, by which the capital value of annuities was calculated and relieved of tax. The mechanism for doing so, he said, was that, under sections 27 and 28, the capital value of such annuities as this, termed purchased life annuities, was to be determined by the Special Commissioners. According to section 27 (3) (c),

'the actuarial value of any annuity payments shall be taken to be their value as at the date when the first of these payments begins to accrue that value being determined by reference to the prescribed tables of mortality and without discounting any payment for the time to elapse between that date and the date it is to be made'.

While in section 28 (3):

'The Commissioners . . . may by statutory instrument make regulations for prescribing anything which is to be prescribed under this part of this Act.'

## Powers Validly Exercised

There was, therefore, continued the judge, direct Parliamentary authority for the Commissioners to make regulations prescribing the mortality tables to be used.

The regulations made by the Commissioners, the Income Tax (Purchased Life Annuities) Regulations 1956, were expressed to be made under section 28 and he could, in general, see no reason why these powers were not validly exercised. Regulation 6 said that the proportion of the purchased life annuity which was to constitute the capital element was to be determined by the Inspector and that the tables to be used

for this purpose were the (a) 55 Tables. The regulation added:

'In using these tables the age, as at the date when the first of the annuity payments begins to accrue, of a person during whose life the annuity is payable shall be taken to be the number of years of his age at his birthday last preceding that date.'

An alternative provision stated:

'If that age is outside the range of the said tables, or in any other case where the tables are insufficient, the actuarial value of the annuity . . . shall be such amount as may be certified by the Government Actuary or his deputy.'

The position was, observed the judge, that the Inland Revenue had prescribed these tables and were entitled to do so. However out of date or inappropriate they might be, there was no justification in law for saying they were not to be applied.

There was, however, the point that the Inland Revenue had purported to say under Regulation 6, in the actual case of Mr Rose, that though he was  $65\frac{3}{4}$  when the annuity started, his age was to be taken as 65; this gave the Inland Revenue the benefit in calculation of three-quarters of a year. It was doubtful if the Commissioners had any power to do that; because all they could prescribe

were the tables and they had not the power to say the tables were to be adapted in any particular way to a case to which they did not exactly apply. But Mr Rose did not succeed on that point because of the alternative provision which enabled the Government Actuary's certificate to be obtained.

### Two Alternatives

There were two alternatives open: Mr Rose could accept the tables as adapted to the age of 65; or he could say that as the tables did not deal with portions of a year but only with whole years, they were insufficient and the matter must be dealt with by the Government Actuary. The Government Actuary had given his certificate, which incidentally seemed to be based on the same tables, and said that the capital element was slightly under £129, so that in accepting £129 exactly, the Inland Revenue had allowed a slight benefit to Mr Rose.

The judge concluded by saying that it was not disputed that the calculations were correct. Mr Rose had argued that the tables in question covered too small a sample of the population, but while the tables were prescribed they were applicable. The remedy lay with Parliament. The taxpayer's appeal was therefore dismissed.

## The Impatient Ass

by RONALD SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A.

**D**O we hear that half-ludicrous, half-pathetic far-off braying? Yes, we do, and what's more, we have been out and thrown a halter upon him and here he is, teeth bared and tail erect, at the rostrum.

It is high time that we plain honest citizens got together and with a united heave cast off the net which has been callously thrown over us, not only by the Inland Revenue but by companies and banks, manned, we had always thought, by men and brothers.

That 'Old Man of the Sea', the Revenue, will always be astride our backs and we had become so used to it when P.A.Y.E. was brought in (product, no doubt of some unpleasant official's nightmare) that we knuckled under and accepted the load – unpaid accountants, cashiers and general secretaries for other people's tax affairs.

There has been a squeak or two of protest from time to time but it is too late to do anything about it, unless we engineer a revolution. Guido Fawkus would have had a suggestion to make.

### Shareholders Arise!

It remains for the companies and banks to become the targets for our slings and arrows. Let us divide our enemies and destroy them in detail – the companies first. To start with, *we* own them. As shareholders, *we* are their masters. If we are in the equities, or our preference dividends are in arrears, we can roll up in our hundreds or our thousands at the annual general meetings and make the chairmen's life hell. But do we? Of course we don't. The 1 per cent of us who bother to go congratulate the board on a successful year, or we sign those complicated postcards

authorizing Mr A., or failing him Mr B. or failing him Mr C., to vote for us in favour of resolutions increasing the directors' fees. What's the worry? I'll tell you. It's those disgusting dividend warrants, in the form which is increasingly coming into use – and which will become universal unless we shareholders arise in our wrath.

I have one of these monstrosities before me. 'Net dividend, £17 12s 1d'. Fine; but that outcast, that pariah, that anti-social blood-sucker, the surtax payer, needs to know the gross and, if he is a methodical chap, the tax deducted. Try working it out from 'the table on the reverse' if you hold 937 shares. Bang goes your week-end. And heaven help you if your shares are in a foreign registered company and to calculate the gross dividend you have to multiply the number of shares held by 1s 1.77d; but then foreigners wouldn't know any better. What do the old ladies do? Ask the village schoolmaster to tea or just use their slide-rules?

The object of all this? To save the labour of the company's staff – *your* staff, *my* staff. What poor creatures we are!

Now for the banks. We are mere customers here and therefore always wrong; but they couldn't exist without your and my accounts. Their privilege and pleasure to serve father and son through the generations, the wise and kindly face of the manager and all the rest of it. My foot!

When you and I were young men the details of how our overdrafts were arrived at were shown in vellum-bound, gilt-lettered books with flaps, and everything was written up in a clerkly hand

and the entries gave the names and the particulars. What do we get now? Loose sheets, typed by some chit of a girl. 'This statement should be carefully filed in the wallet provided.' I haven't got a wallet and if I had it would be bulging like a lettuce and the press studs wouldn't meet. If I had and they did, I don't want to be instructed to file the sheets 'carefully'. The cheek of it!

### Queer Abbreviations

Instead of giving proper details of the entries, there are queer abbreviations – 'PST or PP – per post or credit transfer', to take the ugliest – and to find out what these mean you have to refer to a legend at the bottom of the sheet. The one that really gets my goat is 'S.O. – Standing Order'. If you have several standing orders, and many people do, and most of them seem to be for a guinea – you have either to turn up a list or take a chance that your guinea had the same destination as a like amount on the same date last year.

Toil and trouble and all to save the bank labour and oblige the horrible whirring machines they keep behind the scenes. Oh, for some modern Luddites to appear! Meanwhile I am going to save myself a bit of trouble and I have designed the accompanying letter form to be printed for use in communications with my bank.

If I adopt this I suppose the bank will feed it into one of their wretched electronic contraptions and the translation will be spewed out in seconds from an orifice.

But I shall have struck a blow for freedom.

ADD  
20211

DS

TYL AF/BH of October 29th.

NYA

INF last April ROD in the New Year CR Australia.

MSB

YF

ADD	My permanent address as registered with the bank.	INF or NF	I have not forgotten that I undertook
DATE	Shown as number of days from my birth, both inclusive. Refer to Somerset House	ROD	To reduce my overdraft progressively and I shall hope to make a start on this
DS	Dear Sir,	ACR or CR	When I anticipate a considerable remittance from
TYL	Thank you for your letter	YF	Yours faithfully,
NYA or NY	I note your advice that my overdraft is now exceeding the agreed limit and that under your Head Office instructions unless I am prepared to deposit further security you will be unable to continue it.	MSB	The Manager, Messrs Scrooges Bank Ltd, 1 Skinflint Lane, London EC30.

# Co-operation in Europe

by SIR THOMAS ROBSON, M.B.E., M.A., F.C.A.

*An address given at a luncheon meeting of the London and District Society of Chartered Accountants on March 17th*

AS I was in office as President of the Institute in the year in which the Sixth International Congress took place in London, have been chairman of our Institute's Overseas Relations Committee since it was formed, and now am also a Vice-President of the European federation of accounting bodies which is known as U.E.C., it may be of interest to have the curtain lifted on how the international congresses came to be resumed after the last war, as well as to learn about the Institute's participation in U.E.C. and some incidental aspects of our overseas policy.

It will be remembered that prior to the war there had been five international congresses, the first in 1904 at St Louis, U.S.A., and the last in 1938 at Berlin. These congresses had not attempted to pass resolutions favouring the international adoption of particular accounting or auditing practices but had heard and discussed papers of interest to the world-wide profession as a whole, and had thus helped accountants in many countries to appreciate the universality of accounting principles.

## Resumption of Co-operation after War

When I was in the United States in October 1947, I heard to my surprise that there was a move in North America for the establishment of an international body which would issue pronouncements on matters such as accounting terminology. Because I was in New York I was invited to attend a meeting on this subject with representatives of the American and Canadian Institutes.

I could not feel that the world-wide profession, with its vast differences in standards and principles, was ready for such a development, accompanied as it would be by the need for an international secretariat and international committees, with interminable argument and discussion. To me the prospect seemed remote that such a plan could obtain approval from the English Institute, which five years before had begun the issue of its own series of recommendations on accounting principles and was well aware of the difficulties of securing international agreement on matters on which the views held in many countries were known to be divergent. On the other hand, I felt sure that a move for international co-operation was desirable and would have our Institute's support if the method chosen were reasonable and practicable.

There was nobody to consult and although I was a member of the Council I was not at the time, as far as I remember, even a chairman of a committee. The

Institute was not aware that the meeting was taking place and I certainly had no authority to represent it. However, I chanced my arm and persuaded those present to pass some resolutions which, to my relief, our Council accepted and endorsed when on my return I confessed my unauthorized activities. Those resolutions form broadly the basis of the policy which the Council has followed ever since; though its entry into U.E.C., to which I shall refer later, may be thought to be somewhat of a departure from it.

As the resolutions of 1947 led directly to the International Congress in London in 1952, you may care to hear about them. They stressed, first, the desirability of maximum international co-operation among bodies of professional accountants of high standing with a view to improving standards of practice and the credibility of accounts throughout the world.

They declared, secondly, that it was not yet practicable to establish a permanent international organization for these purposes but emphasized the need for interchange of information between accountancy bodies on all matters affecting the practice of the profession.

Thirdly, they ended by agreeing that to foster co-operation it was desirable to work towards an international congress on accounting to be held at a convenient point when conditions seemed appropriate, and in the meantime to encourage the international exchange of speakers at conferences of accountants' societies.

## French Proposals for International Bodies

Shortly after the Council had approved these resolutions we learned that a French accountant, the late Monsieur Paul Caujolle, was endeavouring to organize in the spring of the following year (that is, in 1948) an international congress to be run by the French Ordre National des Experts Comptables et Comptables Agréés.

The United Kingdom bodies were invited to participate. But in their view such a congress was premature; it needed a further period after the stresses of war before conditions would be sufficiently settled to admit of its success; and, moreover, some years of preparation would be required if it was to be truly international in its scope. These views were conveyed to the French who, however, went ahead with their arrangements, though they agreed not to describe their meeting as one of the series of inter-

national congresses which had begun in 1904. We sent observers, as did the Canadians and the leading bodies in the Netherlands and Scandinavia.

At the end of the meeting the French organizers unexpectedly proposed a resolution favouring the establishment of an international institute of accountancy within the framework of Unesco. This, however, was not supported by the United Kingdom and other bodies. Monsieur Caujolle evidently failed also to win the support of the Unesco authorities, for three years later he made another effort to win the co-operation of accountancy bodies in Europe, including the United Kingdom, this time in establishing a European institute which could be affiliated later to a world institute of accountants when founded.

### U.E.C. Constituted

The United Kingdom and Scandinavian bodies and the two leading Dutch organizations did not accept the invitation. The English Institute deprecated the plan as likely to bring about a levelling down of standards and also to cause disagreements and friction between countries if any attempt were made by the proposed body to issue pronouncements on professional subjects. Nevertheless, the plan found sponsor bodies in ten European countries and U.E.C. was duly constituted at a meeting held at Paris in November 1951.

The view of the Netherlands Institute was identical with that of the English Institute and they joined us in discussing those views with a representative of the German Institute who attended our Autumnal Meeting in Scarborough in 1953. It was stated that the German Institute had joined U.E.C. because they regarded its formation as an opportunity for the Germans to play a part once more in international professional affairs, and to show their readiness to resume co-operation with countries with which their country had been at war or which, although neutral, had been out of touch professionally with Germany under war conditions. For this and other reasons they felt that they must participate in the project along with the other nine countries which had joined U.E.C.

From 1951, therefore, the bodies in the ten countries which joined the U.E.C. carried it on without the co-operation of the United Kingdom and Scandinavian bodies and the principal institutes in the Netherlands. Periodic congresses were held by U.E.C., generally every third year, the selected centres being Florence and Rome, Brussels, Nice, and, lastly, Zürich in 1961. Standing committees were established to discuss various aspects of professional work and a *Lexicon* was issued in five languages comprising accounting terms and definitions used in different countries. Two booklets – a handbook on auditing and a paper on principles of valuation for businesses and shares – were published in German.

At the outset there was some difference of opinion within U.E.C. as to whether the members of a body

seeking admission to membership should be required to have specified minimum qualifications. Eventually, however, it was agreed that a condition for admission should be that the body must be representative (if possible the most representative) of those who practise as public accountants in its country under conditions of professional independence. The applicant body must have rules of conduct for its members and must impose penalties for breaches of those rules. It must also have, as a main objective, the raising of standards of conduct and professional knowledge among its members. These must have adequate professional education, training and experience, but no specific standards were prescribed for the attainments required by the body in these respects.

Those responsible for leadership in U.E.C. realized and said frankly from an early stage that the accountancy profession in Europe had achieved differing levels of development in different countries, and that the legal basis and structure of the profession and its functions and conditions of practising differed from country to country. They felt that if they waited until the elimination of these differences or insisted on conformity to specific standards, U.E.C. would never be formed at all. They envisaged that the very existence of U.E.C. would help towards raising the levels and standing of the profession throughout Europe but that it must not make any endeavour to interfere in the internal affairs of the profession in the individual countries.

I have said that U.E.C. came into being in 1951. This was just before the Sixth International Congress held in London in 1952, and the new body not unnaturally tried to get itself recognized as a body which should have an official place there. The British organizers of the congress took the view, which was held again by the organizers of the Amsterdam and New York congresses in 1957 and 1962, that an international congress was for members of individual professional bodies as such, not for particular groupings of such bodies and that it would, therefore, not be right to give U.E.C. a special place.

### Relations of U.E.C. with Non-members

This decision led to some heart-burning but, happily, it did not prevent the leading U.E.C. bodies (as distinct from U.E.C. itself) from sending a substantial representation to all three of these international congresses. While the United Kingdom and other bodies which remained outside U.E.C. continued to have no official relationships with it as an organization, they came increasingly into friendly contact with the leaders of bodies which were among its members and to exchange visits with them on important occasions.

This brings us to the story of how the 'outside' bodies came to take up membership of U.E.C. last year. After the International Congress in Amsterdam, Mr Kraayenhof, who was President of that congress, Mr MacIver and I realized that as the next congress



was destined for New York in 1962 and as there was a possibility that its successor five years later might again be outside Europe, there might not for some ten or fifteen years be a common meeting-point at which substantial numbers of accountants could come together from all Western European countries, including Britain. We thought that something better than this should be arranged for the benefit of the profession and that to spread the interest a meeting should be held in some centre other than London or Amsterdam where the first two post-war international congresses had been held. The upshot was that the Scottish Institute generously undertook the task of organizing the Edinburgh Congress of last year and carried it through to the successful conclusion of which we all know.

### Outside Bodies join U.E.C.

In the course of enlisting the support of the various European bodies for the Edinburgh Congress we came to appreciate that the ten member countries of U.E.C. had developed a great loyalty to that organization and we learned a good deal about it. It became evident that U.E.C. was well established and was performing a useful function. Informal indications were given that the leaders of U.E.C. would not be unwilling to modify their constitution so as to remove difficulties which had deterred the United Kingdom and other bodies from seeking membership. The Common Market had come into being and the possibility that the United Kingdom and other countries in the European Free Trade Area would join it, were not without influence. We accepted invitations to send observers to the U.E.C. Congress in Zürich in 1961 and gradually there evolved a feeling on the part of those outside U.E.C. that they ought to join its ranks, and of those already inside U.E.C. that they would welcome new members.

There was a lot of negotiation, but eventually agreement was reached and the bodies in Great Britain and Ireland, the Netherlands and Scandinavia who had been parties to the negotiations became members just a year ago. For our sins and because of our part in the discussions, Mr Treffers of the Netherlands and I were elected as additional Vice-Presidents of U.E.C.

Since then more time has had to be spent than I care to quantify in attending or preparing for meetings conducted in the three official languages of U.E.C., in discussing the preparations for this summer's congress in Vienna, and in considering other matters which are important for shaping the future of the organization. Much has yet to be settled before the new members become really active participants in U.E.C. I hope, however, to see progress in this work between now and the Vienna Congress.

There are at present two other Vice-Presidents of U.E.C., namely, Dr Bechinie of Austria and Dr Rocco of Italy. The President is Dr Wilhelm Elmendorff who has had the heavy burden of com-

binning his duties in that capacity with those of his Presidency of the German Institute. The secretarial headquarters are in Paris where a small staff is located. There are various standing committees whose principal functions consist in preparing reports which, in effect, will be the papers presented at Vienna and in keeping the *Lexicon* up to date.

Three subjects are to be discussed at Vienna, namely, 'Budgetary control as an instrument in the management of businesses'; 'The possibility, usefulness and purpose of a standardized European plan of accounts'; and 'The presentation of annual accounts of businesses including those of groups of companies'. The work of preparation of these papers was too far advanced by the time we became members of U.E.C. for us to be asked to make a contribution towards them. I do not know what reference, if any, will be made in the papers to the British point of view on their subjects. The United Kingdom bodies have, however, each been asked to provide one discussion leader for a business session, and I am glad to say that Mr W. E. Parker, the chairman of our Institute's Parliamentary and Law Committee, has consented to act in this capacity. The British speakers will doubtless fill in any gaps or correct any errors about British practice which they may find in the papers.

As will have been seen from the preliminary programme of the congress already circulated, there are to be social activities for our wives and others for whom discussion of accounting principles would be too great a strain and I am sure that the congress will provide opportunities for enjoyment as well as for continuing contacts made last year in Edinburgh, and for making new friendships with our European colleagues and their wives.

### Importance of the Inner Congress

It is unfortunate that the Vienna meeting should have been fixed to take place only a year after the Edinburgh Congress, but that decision was taken by the old members of U.E.C. long before the possibility of our entry into its membership could have been envisaged. Nevertheless, it is to be hoped that the congress will be well supported from this country in order to show that the new members of U.E.C. were in earnest when they applied for membership. Our Institute has made, over many years, a massive contribution to professional development. Let us see to it that its influence is felt to the full in Vienna which is an important professional occasion, and an excellent opportunity for demonstrating the belief – which is accepted as axiomatic in Britain – that accounting principles extend over national boundaries and properly qualified persons who profess and practise them should be permitted to do so without let or hindrance wherever they may be.

If this belief can come to be shared by all members of our profession, co-operation in Europe and the high ideals of the sponsors of U.E.C. will become a reality. We must play our part in bringing this about.

# Weekly Notes

## REVENUE'S RECORD FIGURES

THE 106th report of the Board of Inland Revenue, published as this issue went to press, shows record net receipts from inland revenue duties during the year 1962-63 of £3,752 million, against £3,636 million in 1961-62. Income tax produced £2,820 million and estate duty £270 million - both record figures - while profits tax at £381 million was the highest for many years. Receipts from surtax fell to £183 million (£224 million in 1961-62) following the earned income reliefs announced in the 1961 Budget, but the yield for 1962-63 was still greater than that for 1959-60.

Interesting new features in the report include tables showing an analysis of the ratio of profit to turnover in trade groups; the estimated wealth of individuals covering the three years up to 1962-63, and comparisons of rateable values from the old and new lists (i.e. at March 31st and April 1st, 1963) by classes of property.

The report will be reviewed in greater detail in next week's issue.

## ARGENTINE SUBSTITUTE TAX AGAIN

IN our issue of February 15th last, we reported that the Inland Revenue had been worsted in their attempt to induce the Court of Appeal to upset the decision of Mr Justice Buckley in *Harrods (Buenos Aires) Ltd v. Taylor-Gooby* (42 A.T.C. 143). The Court of Appeal also refused the Revenue leave to appeal to the House of Lords. Nothing daunted, the Revenue, on March 19th, appealed to the appeals committee of the House of Lords for leave to appeal against the substantive decision. Their counsel argued that the Court of Appeal were wrong in holding that since the payment of Argentine substitute tax was not an application of the company's profits, therefore, it was a permissible deduction as being made wholly and exclusively for the purposes of the company's trade. He conceded that failure to pay the tax would have brought disastrous consequences for the company, but argued that this was irrelevant.

Lord Reid asked whether it was the Revenue's submission that money paid before the company could start trading was admissible, but money paid because the company had been trading was not admissible. Counsel said it was misleading to say the tax was paid to enable the company to trade; it was paid because the company had in fact traded. There were sixteen countries with a tax of this kind and the Revenue regarded the point as of importance.

The committee refused leave, without calling on counsel for the company.

## MARKET RESEARCH IN E.E.C.

WITH an increasing proportion of United Kingdom exports going to Western Europe, the importance of studying the characteristics and idiosyncracies of the national populations making up these markets cannot be gainsaid. A recent marketing study of the European Economic Community reveals some interesting economic facts as well as some lighter information about the peoples themselves.

In this study, *Products and People* (Readers' Digest Association, three guineas) the socio-economic information relating to the various populations, varying from possession of consumer durables to dietary habits, their views on domestic animals and education among other matters, are derived from sample surveys carried out early in 1963 in the E.E.C. countries and Britain, using a standard schedule of questions.

As the commentary by Mr Kitzinger accompanying the statistical report points out, the outstanding feature emerging from the survey is the basic similarity in living standards of the various countries. Most households have the same type of durable consumer goods; even dietary and eating habits are - reflecting 'European' patterns rather than purely national tastes. The only consumer durable in which Britain has a distinct lead is in TV and transistor radios; but in electric floor polishers and food mixers Britain lags far behind. On the other hand, British women are heavier users of cosmetic and beauty preparations than their Common Market sisters.

This is a publication which offers as much pleasure to the general reader browsing through its pages, as it does information to the prospective exporter.

## EMPLOYEE SHAREHOLDING

WHAT are the main reasons for setting up an employee shareholding scheme? What type of scheme is the most advantageous from the tax point of view? Should employee shareholders have voting rights? Should the right of employees to sell their shares be restricted? What facilities for employee shareholding can private companies provide? These are among the leading questions answered in an informative booklet just published by the Wider Share Ownership Council.<sup>1</sup>

In a brief foreword addressed to company chairmen, Lord Shawcross, chairman of the Council, points out that many of the criticisms to which industry is subjected arise from ignorance, misunderstanding or prejudice. As far as that part of the economy which is controlled by private enterprise is concerned, the best way to remove such barriers between capital and labour is to demonstrate that the company in question is being run well and fairly for the benefit of customers, shareholders and employees alike. One method of doing so, Lord Shawcross

<sup>1</sup> *Employee Share Schemes*. A report of the industrial sub-committee of the Wider Share Ownership Council, 4 Angel Court, London EC2.

suggests, is to provide employees 'with a focal point of participation' by encouraging them to become shareholders themselves. The aim of the booklet is to ensure that industrialists promoting such a scheme proceed on the right lines.

### CENTRAL TRAINING COUNCIL

**T**HE first chairman has been announced for the proposed Central Training Council for industry. He will be Sir John Hunter, chairman of Swan, Hunter & Wigham Richardson Ltd; the Government hopes to establish the Council with a complement of thirty-two members sometime in April. The Minister of Labour announced in the House of Commons last week that the first four Industrial Training Boards would be for the engineering and construction industries, and then for iron and steel and wool textiles.

It is intended that the Industrial Training Boards will be responsible for ensuring that training is adequate under the Industrial Training Act. A levy will be imposed on employers but grants will be paid to those concerned which already have approved schemes and the Government is to make grants or loans of up to £50 million towards the cost of the boards.

The Central Training Council will consist of six employers, six workers (two from nationalized industries), a maximum of six chairmen from individual industrial training boards and twelve other members. Of this last group, six will be appointed after consultation with the Minister of Education and the Secretary of State for Scotland.

### CREDITS FOR ITALY

**I**T was announced last week that the Italian Government has been granted credit facilities of \$1,000 million from the United States and Europe in addition to the \$255 million which it has already had put at its disposal by the International Monetary Fund. The new \$1,000 million is made up of three lines of credit: the United States Treasury and European central banks are making available \$550 million to the Bank of Italy; in addition the United States Export-Import Bank is providing a standby credit of \$200 million and the United States Department of Agriculture has authorized the Commodity Credit Corporation to grant a credit of \$250 million for three years.

This follows a period of three months in which the lira has been consistently weak on the foreign exchanges. This weakness has not only put pressure on the forward rate of lire but also on the gold market owing to active Italian buying of gold. Italian gold reserves have been falling severely of late. The decision of the Italian Government to arrange a line of credit with the I.M.F. follows the precedent set by the United Kingdom in July 1961.

All these steps, however, are only short-term

measures and the outstanding need now is for greater confidence in the Italian economy. The crisis underlying the present situation is that the Italian economy requires more sophisticated and efficient techniques for economic controls than are at present available. The need for these controls lies in the fact that Italy has to keep in step with the highly developed industrial systems of the other members of the E.C.M. whose economic controls are by now well tried. The inability of Italy to produce such controls quickly lies in the fact that the country's post-war prosperity has been built up by private enterprise which has little relish for economic controls.

### REPORT ON SOUTH-EAST ENGLAND

**T**HE SOUTH-EAST STUDY published last week<sup>1</sup> is a factual survey of the problem of imminent over-population in South-east England. London is in danger of choking and the study makes certain broad recommendations for taking action to reverse at least in part some of the dangers of this trend. It is to some extent a scheme for slow combustion to avoid imminent explosion.

The main recommendations are for the development of three major new cities, one in the Southampton-Portsmouth area, one at Bletchley in Buckinghamshire and the third at Newbury in Berkshire. Two new towns are envisaged and there should be major town expansion at Ipswich, Northampton, Peterborough and Swindon. Local authorities must allocate more land for development, and a few attractive schemes should be started at once. The study pitches its hopes no higher than slowing down the rate of growth in the London area. Little is said about the huge cost of such a replanning undertaking and the sections on the transport problem for commuters (and commuting on a bigger scale will be involved) are somewhat vague.

The Government gives its preliminary views on the study in a White Paper in which it agrees that it must take the initiative in helping to secure a better distribution of the inevitable growth, and expects that other areas, such as the North-east and Scotland, will speed up their development. Where necessary, land will be acquired ahead of development, obviously to contain speculation.

### IRISH TRADE

**A**FTER a temporary set-back in 1962 the expansion of Irish exports was resumed strongly in 1963. Total exports (including re-exports) rose to a new record of £195.9 million in 1963 compared with £174.4 million in 1962 and £180.5 million, the previous record figure, in 1961. Imports, however, have risen steadily since 1956 and amounted to £306.4 million in 1963, with the result that the import excess in 1963, at £110.5 million, was also a record. In

<sup>1</sup> H.M.S.O. Price 15s.

recent years the Irish Government has been making strenuous efforts to expand the exports of industrial products and to reduce the country's dependence on the British market.

In 1963 a measure of success was achieved in both these objectives. Exports of agricultural products have fallen from 51.8 per cent of total domestic exports in 1961 to 48.3 per cent in 1962, and 47.5 per cent in 1963, while exports to Great Britain fell from 60 per cent of the total in 1962 to 57 per cent in 1963. Many of the non-agricultural exports, however, have a considerable agricultural content since the agricultural exports are defined as goods which underwent agricultural processing only. Nevertheless, exports of machinery and transport equipment rose from £5.2

million in 1962 to £9.1 million in 1963, of textile yarn, fabrics and made-up articles from £7.1 to £7.6 million and of manufactured articles not elsewhere specified from £11 million to £12.2 million.

As regards imports, the increasing industrialization of the country is reflected in a rise in imports of producer's capital goods ready for use from £39.4 to £47.2 million, and of materials for further production from £165.6 to £181 million, while imports of consumption goods ready for use rose from £57.4 to £65.1 million. On balance, the figures indicate a steady rise in the standard of living but there is some cause for anxiety in that the rise in the value of imports at £32.7 million was substantially higher than that of exports at £21.5 million.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 217

I SPENT an absorbing morning recently at our local university college on Conferring Day. My nephew was being awarded the degree of Bachelor of Science, so I had been invited to join the gathering. It was fascinating to watch the launching of the new generation. These youngsters I had known from junior school through the callow student stages had suddenly acquired manhood and maturity.

On the dais sat the Provost and the professors; before them were ranged the serried ranks of graduates-to-be; behind, a crowd of the lower orders peered eagerly. That was us. It wasn't our day. In the past we had planned, advised and settled the bills; now the future was theirs.

The Provost welcomed them with warmly inspiring words, urging them to face the future with courage and honour, in charity and humility. The young unlined faces gazed back innocently (or so it seemed). How little they knew! Gray talked about 'regardless of their doom the little victims play', but he understated the case. They'd listened to lectures on double-entry or inert gas, but so rarely on business dilemmas: when the chairman's son, seconded to accounts for rotational training, is playing the fool, should you speak or turn the Nelson blind eye? When your subordinate is sacked unjustly . . . when your senior has his knife into you . . . ah, well, they'll learn as we did.

They filed up in turn to receive their certificates, their expressions taut or eager or triumphant. Their hoods were gay with bands of colour; their relatives clapped and waved.

My old colleague, Ned, sitting near us, watched with pride as his son was dubbed a Bachelor of Commerce.

Ned has limped since Dunkirk, but integrity and ability have built up his practice to prosperity; the prospect of a second generation in partnership makes him cock his chin. Should I tell the boy about his revered father's murky past? About the day he sent out the balance sheets unsigned, and the subsequent episodes with the postmen? Or the chain-store heiress who misunderstood calamitously his reference to a merger? Perhaps better not. He has enough problems with his second boy who is simultaneously growing a beard, writing a play and denouncing the misdeeds of the affluent society.

My nephew, the new B.Sc., shook hands warmly, his parents glowing with reflected glory as professors and colleagues clustered round us with congratulations. He was self-confident and rather complacent. His future was assured. He'd answered several advertisements and had lined up some attractive-looking job-interviews. The going rate for a science graduate is around £800/£1,000 after three years' study, and he talked glibly of independent research and a foreign study-tour. There seemed to be several such available from various sources, he smiled; he sounded like my uncle instead of my nephew.

Ned's commerce graduate seemed like a schoolboy in comparison. He had a long way to go yet, in spite of his degree, with two years' studying required for a Final examination. Status-wise, he couldn't compare with chemists or engineers. They start as young executives; he'll find himself checking postings in an office like a second-rate clerk. It seemed a poor prospect in view of the current pressure for graduate recruitment.

I wonder if university training is over-academic, too remote from industrial realities, too restricted to textbook learning? Or should we criticize the offices that doom talented graduates to routine chores, rather than introduce them to more responsibility? Far be it from me to criticize, but the end-products vary so widely.

Still, a man's a man for a' that, so good luck to Ned's young hopeful.

# Reviews

## Purchasing and Supply Management

by P. J. H. BAILY, A.C.I.S., M.P.O.A. (Chapman & Hall Ltd, London. 30s net (U.K. only)).

This book is designed to serve both as a work of reference and as a textbook for students studying for various purchasing examinations. Undoubtedly it achieves its first aim, for Mr Baily's wide experience has enabled him to comment on virtually all the main aspects of purchasing and supply management, the organization and operation of purchasing and stores departments, and the legal and economic background of supply, together with reference to computer operation and work measurement. Import/export procedures and construction schemes are the only noteworthy aspects not touched upon. The subject is a wide one, however, and in a book limited to some 270 pages most topics covered can only be dealt with in an introductory way.

A textbook can be designed either for use with a lecturer or for the use of the independent student. This book lacks the readability and the informed emphasis that are so necessary for the student working on his own. Indeed, its rather flat style and, in places, almost note-like form make it essentially a lecturer's handbook or at best a book for use by the student under expert guidance.

Mr Baily is at his best in dealing with the practical aspects of his subject. His chapters on the organization and operation of the supply department, the stores and the other aspects of supply work, are first-rate, although there is a certain amount of overlapping and repetition in some chapters. When the book deals with the more abstract ideas of the position of the supply function in the overall economy, the ideas become more questionable (e.g. purchase/sales ratio, which despite the play with percentages, states simply that the less one spends the more one saves).

Nevertheless, the author is to be congratulated on producing a book which in a poorly-documented field provides a useful starting-point for reference purposes and a basis for the teaching of purchasing and supply management.

## A First Approach to Economics

by E. VICTOR MORGAN. (Sir Isaac Pitman & Sons Ltd, London. 22s net.)

This book is based on a course given to first-year university undergraduate students and deals with both economic theory and economic institutions. When these two are included in one volume it is usual to consider the theory first. However, the author of this text places his theoretical section last, preceded by sections on the development of modern

industrial society and on present economic institutions in Great Britain. This plan is stated to be 'based on the belief that the more abstract ideas of economic theory are more easily grasped if they can be presented against a background of facts and events with which the student is familiar'. Many would feel that the alternative belief, that these 'facts and events' are better understood after the basic ideas of theoretical analysis have been grasped, seems more logical.

The clear development of basic principles in the theory section of this book is to be recommended to accountants who studied under these rules. Real-world complications are assumed away at first, then reintroduced one by one, to show their cumulative or cancelling effect. There are plenty of the diagrams which are essential to an understanding of this subject. There is hard work for the reader in this section; for a surprising amount of material is packed into its 230 pages. In fact, the scale and scope of the whole book is much greater than is indicated by its modest title and price.

## The Economics of Australian Industry

Edited by Alex Hunter (Melbourne University Press; Cambridge University Press, London. 55s net.)

Recent years have witnessed a tremendous expansion in the Australian universities and with that expansion has come an increasing flow of writing and research. This latest work is a compendium of essays by some fifteen contributors on the state of Australian industry and its problems within the present stage of development of the Australian economy. The individual studies are authoritative and full of interest.

For any manufacturer or exporter interested in the Australian market, this excellent book will give him a first-class, comprehensive, economic and industrial background to this growing market 'down under'. It is rather a pity that such an excellent piece of work should be produced on rather poor paper which does not facilitate reading.

## SHORTER NOTICES

WHICH UNIVERSITY? 1964 edition (Cornmarket Press, London. Trade distribution by Bowes & Bowes (Publishers) Ltd, London. 15s net (15s 8d post free)). The object of this booklet is to provide prospective university entrants with information about the different university institutions and colleges of advanced technology that will help them to decide which seems most appropriate for their needs. As Sir John Wolfenden in a preface states, the editors have done extremely well and the reader has a reliable text before him.

MULTI-SECTOR ECONOMIC ACCOUNTS, by D. I. Oparin. Translated from the Russian by P. F. Knightsfield (Pergamon Press, Headington Hill Hall, Oxford. 50s net). This booklet of seventy pages is by a Soviet economist and presents three theoretical essays on the construction of national income accounts. It is intended for the professional economist with special interests in this branch of mathematical economics.

**PRICE THEORY**, by W. J. L. Ryan, Papermac 39. (Macmillan & Co Ltd, London. 16s net.) This work was reviewed in *The Accountant* in May 1959 when it first appeared. It is intended for undergraduates with particular interest in the theory of value and prices. The treatment is predominantly mathematical.

**SOME ASPECTS OF INDUSTRIAL FINANCE IN INDIA**, by Dr George Rosen. (The Centre for International Studies, Massachusetts Institute of Technology. The Free Press of Glencoe: Macmillan & Co Ltd, London. 49s net.) In contrast with the Western economies, the new emergent economies such as India have no developed capital market to meet the needs of industrial development. However, there is a growing readiness to invest in industry and Dr Rosen's study examines the present needs of the Indian economy and the provision of industrial capital with special reference to the role of the banking system. This is a serious and thorough analysis of one of India's many problems.

**MATHEMATICAL ANALYSIS FOR ECONOMISTS**. By R. G. D. Allen. Papermac 34. (Macmillan & Co Ltd, London, 20s net.) The re-publication of this standard work, which first appeared in 1947, is most opportune in view of the growing emphasis in economic analysis of mathematical methods. Indeed, it is nowadays widely accepted that no student should study for honours in economics unless he has some mathematical grounding. For those anxious to acquire some understanding

of recent econometric developments, Professor Allen's work will form a most valuable introduction.

**THE SPOKEN WORD**, with special reference to business. By W. A. Dinsdale, PH.D., B.COM., F.I.L. (Stone & Cox Ltd, London. 5s net.) A simple and brief guide to dictation of letters, interviews and the use of the telephone. Makes all the obvious points which tend so often to be overlooked. A booklet which could well be left around the office for staff to read.

#### RECENT PUBLICATIONS

- HANDBOOK OF SAMPLING FOR AUDITING AND ACCOUNTING**, Volume I - Methods, by Herbert Arkin. xvi+614 pp. 8½×6. £5. McGraw-Hill Publishing Co Ltd, McGraw-Hill House, Shoppenhangers Road, Maidenhead, Berks.
- AUTOMATIC READING OF DIGITS**, by Drs W. J. Bijleveld. 88 pp.+24 pp. inset. 10×7. Card covers. Dfl. 11. The Netherlands Automatic Information Processing Research Centre, 6 Stadhouderskade, Amsterdam.
- PARISH COUNCILS ACCOUNTS**, by R. U. Davies. 64 pp. 9½×6. Card covers. 10s 6d (packing and postage included). Charles Knight & Co Ltd, London.
- ACCOUNTING PRINCIPLES AND PRACTICE**, by S. Hall, B.A.(COMM.), F.C.A. vi+362 pp. 8×5½. Card covers. 25s net. Pergamon Press, Headington Hill Hall, Oxford.
- THE HUMAN TOUCH IN INDUSTRY**, by Francis B. Willmott. 220 pp. 7½×5½. Paper covers. 5s net. The Saint Catherine Press Ltd, London.

These books may be obtained from or through Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

## Finance and Commerce

### Woolworth's Properties

**P**RACTICAL thoughts on property revaluation are provided by the chairman of F. W. Woolworth & Co Ltd, Mr F. L. Chaplin. The valuation of the Woolworth freeholds and leaseholds was made as at December 31st 1963 (the date of the accounts which provide this week's reprint), by Hillier Parker May & Rowden and Pilcher Hershman & Partners. A surplus of £35,884,338 over previous book value was disclosed. Book value has been written up to accord with the valuation and the surplus has been added to capital reserve which now amounts to £43,965,812.

One matter in connection with this valuation, Mr Chaplin thinks, should be mentioned. It will be noted from the balance sheet, he says, that the provisions previously made for depreciation have been maintained and added to for 1963 on the normal basis. It will be appreciated, he says, that although the professional valuers have valued the properties on the basis of the present market value with vacant posses-

sion, the company has no intention of selling any of its properties except in isolated cases where a store is moved to a new location.

### Landlords' Fittings

The market value, Mr Chaplin points out, includes items generally classed as landlords' fittings such as central heating, electric wiring, hot and cold water installations and shop fronts. These items, which together comprise a material proportion of building costs, require to be replaced several times during the life of the buildings. The directors consider that the provisions made for depreciation are reasonably required in respect of these items, having regard to the fact that taken overall the properties will be retained for occupation for the company's business.

Mr Chaplin notes that the different bases of valuation of the properties in 1962 and 1963 prevent the expenditure during the year from being readily ascertained from the accounts. He therefore gives in his statement the fact that during 1963 the company spent, in round figures, £7,200,000 in acquiring new sites and in building operations, of which £4,600,000 related to freehold properties and £2,600,000 to leaseholds. A further £2,450,000 was spent during the year in fitting out the new and enlarged stores.

These substantial capital expenditures, he informs stockholders, have been financed out of the company's own resources with the result that net current assets are just over £1 million lower.

**Accounting Speed**

Woolworth's accounting speed has been mentioned before in this column. The directors and the auditors signed their reports on January 17th and the printed report and accounts was published on February 13th and sent to 137,000 stockholders. Such prompt accounting, says Mr Chaplin this year, has only been possible because of the speed and efficiency with which the company's auditors deal with the accounts.

During the year Mr J. J. Baker, F.C.A., retired from the board and Mr A. J. M. Roberts, F.C.A., has been appointed in his place. Mr Baker was a senior partner in Baker, Sutton & Co, the company's auditors. He had dealt personally with the audit for thirty-three years until his appointment to the board in April 1958, when he resigned from his firm. Mr Roberts is also a former senior partner in Baker, Sutton & Co and was directly concerned with the Woolworth accounts for a number of years.

Following the property revaluation, capital is being brought into line by a one for one scrip issue taking £38½ million from capital reserve and £9 million from general reserve. The store development programme in 1963 added over 26,000 lineal feet to the Woolworth counter-footage in the United Kingdom. The company goes forward with store development projects involving something like £37 million spread over the next few years.

**Stocks**

Another point of note is the increase of £2,850,904 to £27,961,118 in stocks. This increase is partly attributable to stocking the new and enlarged stores opened during the year and partly to the upgrading of merchandise now available in the stores. One really big Woolworth development was the rebuilding of the store at Birmingham's Bull Ring; this store has 95,000 square feet of the four-acre shopping centre where twenty-three acres of floor space give room for 40,000 shoppers.

Taxation for the year took £20,207,811 or 53·75 per cent of the profit. The total includes an additional liability for £142,000 as a result of last year's Finance Act which withdrew the allowance against profits in respect of Schedule A paid up to April 5th, 1963, on properties owned and occupied for trading purposes. On the other hand, relief for investment allowances has increase by £¼ million, mainly by reason of the extra 10 per cent allowance given on new plant and equipment purchased after November 1962.

Profit is up £1,231,123 to £17,388,507 despite a disappointing trading start to the year 'due mainly to the appalling weather'. But, especially towards Christmas, business picked up well and the year's turnover reached a new record. Woolworths, it might be added, is still shy about turnover which seems so very curious in view of the fact that its American counterpart has no such inhibitions.

**F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES****Consolidated Profit and Loss and Appropriation Account for the year ended  
31st December, 1963.***(The Profits of Subsidiary Companies are included for the year ended 30th June, 1963)*

	£	1963	£	1962	£
<b>TRADING PROFIT</b> after charging rents in respect of companies' investment in freehold and leasehold properties (note 1) .. .. .					
			31,459,500		29,169,970
<b>OTHER INCOME:</b>					
Interest on investments, tax reserve certificates and bank deposits .. .. .	230,314			291,202	
Income from trade investments .. .. .	22,095				
Rents charged against trading profit as above and rents receivable .. .. .	5,884,409	6,136,818	5,494,136	5,785,338	
<b>PROFIT BEFORE TAXATION</b>		37,596,318		34,955,308	
Taxation (note 2) .. .. .		20,207,811		18,797,924	
<b>PROFIT AFTER TAXATION</b> .. .. .		17,388,507		16,157,384	
Less:					
Amount added to staff pension and benevolent fund .. .. .		125,000		125,000	
		17,263,507		16,032,384	
Add:					
Provision for depreciation of investments no longer required .. .. .	47,644			301,606	
Realised surplus on properties sold .. .. .	39,342			368,135	
		17,350,493		16,702,125	
Balance brought forward from last account .. .. .		9,775,189		7,609,548	
		27,125,682		24,311,673	
Less:					
<b>APPROPRIATIONS:</b>					
General reserve .. .. .		5,000,000		3,500,000	
		22,125,682		20,811,673	
Dividends less income tax at 7s. 9d. in the pound:					
Paid:					
On 6% cumulative preference stock .. .. .	183,750		183,750		
On ordinary stock, interim dividend 6½d. per 5s. unit .. .. .	3,135,234		3,135,234		
Proposed to be paid on 7th March, 1964:					
On ordinary stock, final dividend 1s. 5½d. per 5s. unit .. .. .	8,441,016	11,760,000	7,717,500	11,036,484	
<b>BALANCE CARRIED FORWARD:</b>					
F. W. Woolworth and Co., Limited .. .. .	9,602,462		9,266,915		
Subsidiary companies .. .. .	763,220	£10,365,682	508,274	£9,775,189	

**F. W. WOOLWORTH AND CO., LIMITED AND SUBSIDIARY COMPANIES**  
**Consolidated Balance Sheet 31st December, 1963**  
*(The Assets and Liabilities of Subsidiary Companies are included as at 30th June, 1963)*

CAPITAL AUTHORISED AND ISSUED		1963	1962	FIXED ASSETS		1963	1962
		£	£			£	£
<b>F. W. WOOLWORTH AND CO., LIMITED</b>				Freehold properties including those in course of purchase and construction (note 7) .. ..	75,124,026	46,940,941	
5,000,000 £1 units of 6 per cent. cumulative preference stock .. ..		5,000,000	5,000,000	Less:			
189,000,000 5s. units of ordinary stock .. ..		47,250,000	52,250,000	Provision for depreciation .. ..	2,204,355	1,933,608	45,007,333
		<u>52,250,000</u>		Leasehold properties including those in course of purchase and construction (note 7) .. ..	72,919,671	19,616,078	
				Less:			
<b>CAPITAL RESERVE</b> .. ..		43,965,812	8,081,474	Provision for depreciation .. ..	2,399,061	2,088,126	17,527,952
				Fixtures, furniture and equipment at cost .. ..	32,083,093	24,575,389	
<b>REVENUE RESERVES</b>				Less:			
General reserve .. ..		17,000,000	12,000,000	Provision for depreciation .. ..	10,184,715	8,721,893	15,853,496
Profit and loss account balance after proposed appropriations .. ..		10,365,682	9,775,189		<u>16,845,162</u>	<u>15,853,496</u>	
		<u>27,365,682</u>	<u>21,775,189</u>		<u>121,847,926</u>	<u>78,388,781</u>	
<b>Future taxation:</b>				<b>INVESTMENTS</b>			
United Kingdom income tax (schedule D) for year ending 5th April, 1965, payable on 1st January, 1965 .. ..		14,400,000	13,400,000	Government and Corporation quoted securities at market value (note 8) .. ..	3,499,235	3,567,964	
Reserve for equalising capital allowances .. ..		1,130,000	1,095,000	Trade investments at cost .. ..	400,214	255,000	3,822,964
		<u>15,530,000</u>	<u>14,495,000</u>		<u>3,899,469</u>		
<b>PROVISION</b>				<b>CURRENT ASSETS</b>			
Staff pension and benevolent fund .. ..		677,016	664,218	Stocks (note 9) .. ..	27,961,118	25,110,214	
				Amounts receivable and payments in advance .. ..	1,210,507	966,038	
				Tax reserve certificates .. ..	2,500,000	2,500,000	
				Cash at bankers and in hand .. ..	20,648,077	22,412,917	
					<u>52,319,702</u>	<u>50,989,169</u>	
				<b>Less:</b>			
				<b>CURRENT LIABILITIES</b>			
				Income tax .. ..	13,972,606	13,151,376	
				Profits tax .. ..	5,789,939	5,250,000	
					<u>19,762,545</u>	<u>18,401,376</u>	
				Creditors and accrued charges .. ..	10,064,139	9,812,125	
				Net balance on inter-company accounts (due to difference in accounting dates) .. ..	10,887	4,032	
				Proposed final dividend on ordinary stock .. ..	8,441,016	7,717,500	
					<u>38,278,587</u>	<u>35,935,033</u>	
				<b>NET CURRENT ASSETS</b> .. ..	<u>14,041,115</u>	<u>15,054,136</u>	
					<u>£139,788,510</u>	<u>£97,265,881</u>	

For movements of reserves and provision see notes 3, 4 and 5.

On behalf of the Board  
F. L. CHAPLIN } Directors  
R. T. GWYNN }



## NOTES WHICH FORM PART OF THE ACCOUNTS FOR THE YEAR ENDED 31st DECEMBER, 1963

(1) The Trading Profit is stated after charging the following:—	1963 £	1962 £	(7) Freehold and leasehold properties The joint valuation by Messrs. Hillier Parker May and Rowden and Messrs. Picher, Hershman & Partners states the value as at 31st December, 1963, of the company's stores and other commercial properties as £109,537,605, which shows a surplus over book value of £35,884,338, and this has been added to capital reserve. The amounts shown in the balance sheets annexed are made up as follows:—	Freeholds £	Leaseholds £	Total £
(i) Depreciation of fixed assets .. .. .	258,025	248,998	Valuation referred to above .. .. .	74,736,175	34,801,430	109,537,605
(ii) Emoluments of directors of the company:— Remuneration for services and contributions under approved pension and life assurance schemes .. .. .	5,007	19,648	Less: Estimated further construction costs of buildings valued as completed .. .. .	2,120,935	627,401	2,748,336
(i) Emoluments of directors of the company:— Remuneration for services and contributions under approved pension and life assurance schemes .. .. .	£263,032	£268,646	Add: Cost of other properties and works in progress .. .. .	72,615,240	34,174,029	106,789,269
(ii) Pension and gratuity allowances to former directors .. .. .	14,452,900	13,589,083	Company's balance sheet .. .. .	1,026,825	200,175	1,227,000
(i) Pension and gratuity allowances to former directors .. .. .	5,650,000	5,250,000	Add: Properties of subsidiary companies at cost .. .. .	73,642,065	34,374,204	108,016,269
(ii) Pension and gratuity allowances to former directors .. .. .	143,596	117,867	Consolidated balance sheet .. .. .	1,481,961	107,950	1,589,911
(i) Pension and gratuity allowances to former directors .. .. .	20,246,496	18,956,950	At 31st December, 1962, the properties were stated in the company's balance sheet at the directors' valuation as at 1st January, 1957, with subsequent additions at cost and the properties of the subsidiary companies were included in the consolidated balance sheet at cost.	£75,124,026	£34,482,154	£109,606,180
(ii) Pension and gratuity allowances to former directors .. .. .	35,000	—	(8) Government and Corporation quoted securities at cost .. .. .	1963	1962	1962
(i) Pension and gratuity allowances to former directors .. .. .	20,281,496	18,956,950	Less: Provision to reduce to market value .. .. .	3,573,507	74,252	121,673
(ii) Pension and gratuity allowances to former directors .. .. .	73,685	159,026	Market value at 31st December .. .. .	£3,499,255	£3,567,964	£3,567,964
(i) Pension and gratuity allowances to former directors .. .. .	£20,207,811	£18,797,924	(9) Stocks The basis of valuation is the lower of cost or realisable value.	1963	1962	1962
(ii) Pension and gratuity allowances to former directors .. .. .	8,081,474	8,081,474	(10) Subsidiary companies (Statements pursuant to paragraph 15 of the Eighth Schedule to the Companies Act, 1948) The financial years of the subsidiary companies dealt with in the consolidated accounts ended on 30th June, 1963. If the financial years of these overseas companies were altered to correspond with that of the company, it would delay the presentation of the consolidated accounts to the members of the company. The consolidated accounts do not deal with the remaining subsidiaries, since to do so would in the opinion of the directors be of no real value to the members of the company in view of the insignificant amounts involved.	£8,081,474	£8,081,474	£8,081,474
(i) Pension and gratuity allowances to former directors .. .. .	35,884,338	35,884,338	In our opinion the annexed balance sheet and consolidated accounts together with the notes thereon comply with the Companies Act, 1948 and give a true and fair view of the state of affairs of the company and of the group at 31st December, 1963 and of the profit of the group for the year ended on that date, so far as is practicable in view of the fact that the accounts of the subsidiaries were made up to 30th June, 1963. We have obtained all the information and explanations which we considered necessary for our audit. In our opinion the company has kept proper books of account and proper returns have been received from branches and the balance sheet of the company is in agreement therewith.	8,500,000	3,500,000	£12,000,000
(ii) Pension and gratuity allowances to former directors .. .. .	5,000,000	5,000,000	The opinion of the directors be of no real value to the members of the company in view of the insignificant amounts involved.	£17,000,000	£17,000,000	£17,000,000
(i) Pension and gratuity allowances to former directors .. .. .	664,218	641,635	Provision—staff pension and benevolent fund Balance at 1st January .. .. .	112,202	102,417	539,218
(ii) Pension and gratuity allowances to former directors .. .. .	552,016	539,218	Less: Payments during the year .. .. .	125,000	125,000	£664,218
(i) Pension and gratuity allowances to former directors .. .. .	£677,016	£664,218	Amount added to the fund .. .. .	£677,016	£664,218	£677,016
(ii) Pension and gratuity allowances to former directors .. .. .	£5,100,000	£5,500,000	Balance at 31st December .. .. .	£5,100,000	£5,500,000	£5,100,000
(i) Pension and gratuity allowances to former directors .. .. .	£5,100,000	£5,500,000	Capital commitments The estimated amounts of outstanding commitments for capital expenditure not included in the accounts are: Parent company .. .. .	£5,100,000	£5,500,000	£5,100,000
(ii) Pension and gratuity allowances to former directors .. .. .	£5,100,000	£5,500,000	Group .. .. .	£5,100,000	£5,500,000	£5,100,000

On behalf of the Board  
F. L. CHAPLIN } Directors  
R. T. GWYNNE }

REPORT OF THE AUDITORS TO THE MEMBERS OF  
F. W. WOOLWORTH AND CO., LIMITED

In our opinion the annexed balance sheet and consolidated accounts together with the notes thereon comply with the Companies Act, 1948 and give a true and fair view of the state of affairs of the company and of the group at 31st December, 1963 and of the profit of the group for the year ended on that date, so far as is practicable in view of the fact that the accounts of the subsidiaries were made up to 30th June, 1963.  
We have obtained all the information and explanations which we considered necessary for our audit. In our opinion the company has kept proper books of account and proper returns have been received from branches and the balance sheet of the company is in agreement therewith.

ELDON STREET HOUSE, ELDON STREET, LONDON E.C.2.  
DATED THIS 17th DAY OF JANUARY, 1964.  
BAKER, SUTTON & CO.,  
Chartered Accountants.

Consols 4%	65 $\frac{11}{16}$	Funding 3% 59-69	90 $\frac{1}{16}$
Consols 2 $\frac{1}{2}$ %	42 $\frac{1}{2}$	Savings 3% 60-70	87 $\frac{1}{8}$
Conversion 6% 1972	104 $\frac{1}{16}$	Savings 3% 65-75	79 $\frac{1}{8}$
Conv' sion 5 $\frac{1}{2}$ % 1974	100 $\frac{1}{16}$	Savings 24% 64-67	92 $\frac{1}{16}$
Conversion 5% 1971	99 $\frac{3}{16}$	Treas'ry 5 $\frac{1}{2}$ % 2008-12	92 $\frac{1}{16}$
Conversion 3 $\frac{1}{2}$ % 1969	92 $\frac{1}{8}$	Treasury 5% 86-89	88 $\frac{1}{16}$
Conversion 3 $\frac{1}{2}$ %	57 $\frac{13}{16}$	Treasury 3 $\frac{1}{2}$ % 77-80	78 $\frac{1}{8}$
Funding 5 $\frac{1}{2}$ % 82-84	97 $\frac{1}{16}$	Treasury 3 $\frac{1}{2}$ % 79-81	77 $\frac{1}{8}$
Funding 4% 60-90	94 $\frac{1}{8}$	Treasury 2 $\frac{1}{2}$ %	42
Funding 3 $\frac{1}{2}$ % 99-04	65 $\frac{15}{16}$	Victory 4%	93 $\frac{7}{8}$
Funding 3% 66-68	91 $\frac{1}{8}$	War Loan 3 $\frac{1}{2}$ %	59

# Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.*

## British Broadcasting Corporation v. Johns

In the Court of Appeal – March 5th, 1964  
(Before Lord Justice WILMER, Lord Justice DANCKWERTS and Lord Justice DIPLOCK)

*Income tax – Profit of trade – Whether Corporation entitled to Crown immunity – Whether trade carried on – Payment for supply of newsfilm – Whether payment deductible – Telegraph Act, 1869, section 4 – Wireless Telegraphy Act, 1949, sections 1, 17 – Income Tax Act, 1952, sections 122 (Schedule D), paragraph 1 (a) (i), (ii); 123 (Case VI); 137 (a) – Television Act, 1954, section 1 (12).*

Since the beginning of the present century the Crown has asserted a monopoly of wireless broadcasting within the United Kingdom, and the matter is now controlled by the Wireless Telegraphy Act, 1949, which prohibits radio transmissions without a licence and authorizes the Postmaster-General to levy licence fees. By section 17 money for a broadcasting service is provided by Parliament; and pursuant to this section licence fees are paid into the Exchequer and the Postmaster-General makes a payment to the appellant, which is a corporation established by Royal Charter.

In 1958–59 the British Broadcasting Corporation operated under a licence agreement of June 12th, 1952, from the Postmaster-General. The licence forbade the B.B.C. from receiving money from any broadcast, and also forbade the corporation to publish commercial advertisements or to broadcast radio sponsored programmes. The corporation agreed to transmit broadcasts to foreign countries, and to monitor transmissions from abroad. To finance the home services the B.B.C. receives a proportion of the net licence fees reaching the Exchequer. For external services, and for other services performed for Government departments, the corporation receives grants from the Treasury. The Postmaster-General can determine the licence for any breach of it or of the charter, or if the corporation is wound up.

The corporation has a very large autonomy as to both the home and the external services, and as regards the selection and appointment of staff. The corporation also carries on a number of ancillary activities, the most important of which is publishing. For the year under appeal the B.B.C. received about £25 million from the Postmaster-General for the home services and £5 million for the external services.

It had a surplus of £1,495,868 including the profit it made on publications, and including also £133,167 for interest on investments.

For purposes of television the B.B.C. requires an adequate supply of newsfilm. At one time the corporation obtained its film from an American concern; but in 1957 it made an agreement with the Rank Organisation Ltd, and with the Canadian and Australian broadcasting concerns, and the British Commonwealth Newsfilm Agency Ltd (B.C.I.N.A.) was formed pursuant thereto. Each of the participants paid a subscription to B.C.I.N.A., and if the subscriptions for a given year were insufficient to cover the cost of operating the services of B.C.I.N.A., the corporation and Rank were each bound to pay an additional subscription sufficient, these two additional subscriptions together, to make up the deficit. The amount of the additional subscription paid by the corporation in relation to the year under appeal was £62,590.

It was contended on behalf of the appellant: (1) that it was a part of the use and service of the Crown, and was entitled to the immunity enjoyed by the Crown; (2) that the appellant did not carry on a trade; (3) that the additional subscription paid by the appellant to B.C.I.N.A. was deductible in computing the appellant's profit for the year under appeal.

*Held:* (1) the appellant was not an emanation from the Crown; (2) it was not in *consimili casu* with the Crown; (3) reversing Mr Justice Wilberforce on this point [the appellant was not carrying on a trade]; (4) (Lord Justice Diplock dissenting) the appellant was entitled to deduct the amount of its additional subscription to B.C.I.N.A. for the year under appeal.

## C.I.R. v. Leiner

In the High Court of Justice (Chancery Division)  
March 11th, 1964

(Before Mr Justice PLOWMAN)

*Surtax – Settlement on grandchildren – Loan by settlor to company – Loan repaid – Settlor paid same amount to trustees – Loan of same amount by trustees to the children's father – Loan of same amount by father to company – Father paying interest to trustees – Loan to company free of interest – Whether settlement income originating from father – Income Tax Act, 1952, sections 397, 401, 403, 405.*

The respondent's mother lent £34,000 to a company in which the respondent had a substantial interest. The company was heavily overdrawn, and it never paid any interest on this loan. Later the mother wished to settle the same amount for the benefit of the respondent and his children, and in 1957 she executed a settlement deed setting up a discretionary trust for her children and remoter issue and for the respondent's wife. At that time the £34,000 was not yielding any income.

In the next year the following transactions took

place, the first three on the same day: (1) a chargee of the loan consented to its repayment by the company; (2) the company repaid the loan to the respondent's mother; (3) the respondent's mother paid £34,000 to the trustees of the settlement; (4) on October 13th, 1958, the trustees lent £34,000 to the respondent; (5) on the same day the respondent lent £34,000 to the company. The respondent bound himself to pay interest on his loan from the trustees, and the amount of this interest was £2,040. No interest was payable on the loan from the respondent to the company.

It was contended on the behalf of the appellants that the transactions were an arrangement-settlement within section 403 of the Income Tax Act, 1952; that the

respondent was a settlor in relation to the 1957 settlement; and that the settlement income of £2,040 originated from the respondent in that he had provided it directly or indirectly. It was contended for the respondent that there was no arrangement-settlement within section 403; that the respondent was not a settlor; and that the £2,040 did not originate from him. The Special Commissioners decided the first two points in favour of the appellants and the third point in favour of the respondent, and allowed his appeal.

*Held:* the transaction had to be looked at as a whole and the respondent had provided the settlement income of £2,040 and he was therefore the settlor.

## Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed*

### Accountants for Accountancy

SIR, - A recent advertisement in a well-known daily newspaper asked for a lecturer in accounting at a provincial university. Prospective applicants were required to have a degree in economics with accounting, or economics only. It was specifically mentioned that a professional accountancy qualification was not essential.

This seems to typify in many ways the present situation in the relationship between the accountancy profession and the universities. It appears that at least one university department is prepared to appoint a lecturer in accounting without any formal education in the field, academic or otherwise.

Being one of the earlier students to participate in the universities scheme leading to a prescribed degree in accounting, law and economics, I certainly appreciate the broader and perhaps more profound treatment of certain accounting principles in a university. At the same time my colleagues and myself preferred to be guided in our thoughts by a 'don' who was experienced in the practice as well as the theory of the subject.

Let us hope that a graduate/qualified accountant will in this particular case still be appointed.

Yours faithfully,

I. MCKINNELEY,

B.A.(ECON.), A.A.C.C.A., A.C.W.A.,

Colombo Plan Consultant (U.K.) Malaysia.

Selangor, Malaya.

### The Position of Incorporated Accountants

SIR, - The Institute Council's statement about the position of incorporated accountant members reproduced in your issue of March 14th and the reference to it in Weekly Notes, give the impression that only those former incorporated accountants who had not

been trained in the offices of accountants in public practice were denied the privilege of calling themselves chartered accountants when the Scheme of Integration became effective. This is not so.

Although I was employed for six and a half years by a firm of chartered accountants before entering the public service I was left in no doubt that if I had become a member of the Institute on integration - which I did not - I would not have been entitled to full chartered accountant membership.

Yours faithfully,

Epsom, Surrey.

W. L. ABERNETHY.

### Infra dig.

SIR, - I wish to draw attention to the subservient position which chartered accountants hold under the Exchange Control Act, 1947.

In registering transfers of securities, unless one is an authorized depository, viz. stockbroker, banker or solicitor, a certificate has to be completed by a solicitor stating that the transferee is not outside the scheduled territories.

Surely as a responsible and respected professional body, chartered accountants should be recognized as authorized depositories.

If pressure were brought to bear by the Institute, perhaps we might be elevated to the required category and thereby obviate having to invite solicitors to perform duties we are quite capable of performing ourselves.

Yours faithfully,

Monrovia, Liberia.

D. R. BENSON, F.C.A.

### Saturday Closing of Banks

SIR, - It is generally not realized that the banks have an unique advantage in comparison with any other form of industry, their main business being productive continuously for twenty-four hours daily, Sundays and bank holidays included, viz. interest accruing all the time. Only life assurance companies enjoy a similar position to some extent.

Furthermore, British banks have a monopoly

where business remittances are concerned, in consequence of the fact that no national giro exists in this country. On the Continent, every country offers an alternative via Post Office clearing or similar institutions. Until recently, all payments in Britain other than cash had to be made by cheque – an ancient means of money transfer, the out-datedness being comparable with open fire-places *vis-à-vis* other heating methods. The much advertised traders' credit is a poor substitute for a national giro.

Saturday closing would bring about an immense saving for the banks, creating at the same time considerable inconvenience for the public, the victims of the monopoly mentioned above. The Postmaster-General should pay more attention to the continuous demands for a postal clearing.

Yours faithfully,

London NW2.

F. EISNER.

### Current Accounts

Further to my letter published in your February 15th issue and with reference to Mr J. C. Bracher's reply (February 29th issue), in view of the importance of the subject of replacement cost accounting, may I be allowed the space for the following comment?

I agree with Mr Bracher that in the complete absence of sufficient profits to meet the 'depreciation deficiency adjustments' – as calculated previously in his article and in my illustration – such deficiency is a 'loss of *real capital*' which can only come from the shareholders' equity. I also agree with him that, in the circumstances, the replacement of fixed assets

would ultimately have to be financed partially, to the extent of such loss, with new capital.

With due respect, however, I disagree with Mr Bracher on his proposal to appropriate the 'cumulative depreciation deficiencies' – in the absence of sufficient profits – out of 'free reserves', or to set it off against the 'capital appreciation reserve'. Such practice as 'playing on the reserves' is – as Mr Kenneth S. Most put it (*The Accountant*, February 22nd) – a dangerous one indeed.

In other words, writing off and concealing the 'loss of *real capital*' in this way as Mr Bracher, in effect, proposed in his article is where we disagree. I submit once again that this defeats the main purpose of his exercise as I explained and proved in my previous letter. *In addition*, especially where the 'depreciation deficiency' is set off against the 'capital appreciation reserve', this treatment virtually amounts to *unauthorized reduction of capital after it has been adjusted*.

Instead, however, I prefer and would rather insist on showing this loss – pending its elimination by future profits – as a debit balance on the profit and loss account, to be carried to the balance sheet as a separate item and deducted clearly from the shareholders' equity. Only in such a way, in my opinion (without elaboration for shortage of space) could the logic and philosophy of replacement cost accounting and adjustments be withheld, appreciated and made apparent to all concerned.

I would hope this suggestion is acceptable to Mr Bracher. Its central idea was, in fact, mentioned in his letter as an *alternative* to his former proposal (in the article) when replying to my earlier criticism. As I

## Bad Debts at Easter

by a member of The Accountants' Christian Fellowship

*If he has done you any wrong or is in your debt, put that down to my account.*

The words bring back memories of our first wrestling with double entry. What an astonishing set of entries such a childishly simple instruction was apt to produce in the hands of those small tradesmen whose books always seemed to come the way of the newest articulated clerk!

But in fact they are taken from the *New Testament*. The writer was St Paul – and his subject his newest convert, Onesimus. Onesimus

had fled his master, robbing him into the bargain; the master was a personal friend of the Apostle. So the Apostle pleads with his friend on behalf of his newly-found son in the faith.

What has this to do with Easter? Martin Luther explains it – 'Even as Christ did for us with God the Father', he wrote, 'thus also doth St Paul for Onesimus with Philemon'. The illustration is an apt one, and brings us back again to the simplest and most personal meaning of the Cross of Good Friday. 'He paid my debt, and set me free.'

F. R. C.

see it, this suggestion in its entirety should not be considered as an alternative, but as the best practice to be recommended in these circumstances. All the facts – especially material facts – must always be fully and clearly disclosed rather than concealed in any manner. This principle of *full disclosure* is extremely important and should be strictly observed, particularly where there is any deviation from the generally accepted conventional accounting based on historical costs.

Finally, though I have not yet been able to see the published accounts and report of the Port of London

Authority for the year ended March 31st, 1963, which Mr Bracher kindly commended to readers, from an economic point of view I fully agree with his remarks as stated in his letter in this context.

Credit for stimulating discussion by his interesting contribution is due to Mr Bracher, and to *The Accountant* for publishing it.

Yours faithfully,  
M. H. B. ABD EL-MOTAAL,  
B.COM., M.COM., A.C.A.,  
*Lecturer in Accounting,*  
UNIVERSITY OF DUBLIN.

Dublin 2.

## Accountancy in the Computer Age

### President's Comments at Birmingham Dinner

Accountancy in the computer age and the expansion of the profession in the remainder of this century were the main topics in a speech by Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of the Institute, in Birmingham on March 19th.

Mr Winter was replying to the toast of 'The Institute of Chartered Accountants in England and Wales', which was proposed by Mr J. A. Grieves, Q.C., Recorder of Birmingham, at the annual dinner of the Birmingham and District Society of Chartered Accountants, held at the Grand Hotel.

'We have to get across to industry and commerce a modern picture of what a chartered accountant is', Mr Winter said. 'It is true that in the early days bankruptcy formed our principal business, but now we have a much wider field.'

#### Curious Impressions

'The public generally had curious impressions of the work of the accountant. I think, today,' he said, 'the accountant is a general financial adviser whose recommendations may make the difference between survival and extinction for a business and whose advice may be disregarded at one's peril.'

Mr Winter said the Council of the Institute was encouraging younger members to take an interest in management accountancy. A high standard was required for the new diploma in the subject.

'We are entering into the field of computers,' he said. 'We have to know something about them, even if we are not going to specialize. While it is important for us to learn the characteristics of computers, we have to get down to earth and learn what they can and cannot do. We advise management of what computers can do for them.'

It was the policy of the Council, he said, to supplement postal tuition with oral tuition. 'We want to encourage the release of clerks to take courses at colleges of

advanced technology and I want to appeal to principals to release their clerks where the courses are available.

'The first courses are three-week introductory courses for the newly articulated clerks. If those are successful we want to go on and keep articulated clerks in touch with the tutor.'

#### Rising Membership

On the formation of the Institute there were 2,000 members, said Mr Winter. Membership was now 38,000 and there were 11,000 articulated clerks in the 'pipeline'. Next September, at the new Intermediate, 4,000 were expected to sit. By 1970, membership was likely to reach 50,000 and if that trend continued, by the end of the century the total would be up to 100,000.

Proposing the toast, Mr Grieves said that the accountancy profession had played a great part in the development of industry and commerce in Britain today.

'I have been told that your profession came into being with the Bankruptcy Acts,' said Mr Grieves, 'and that it has been supported by a long series of Companies Acts. You have certainly helped clear thinking by your improved methods of drawing accounts.'

Proposing the toast of 'Our Guests', Mr G. S. Major, T.D., B.COM., F.C.A., President of the Birmingham and District Society of Chartered Accountants, said how happy he was to see present eleven of the thirteen presidents of other district societies. Mr Major said that the Society's membership had increased by more than five hundred in the past year.

Alderman A. B. Brown, B.C.L., M.A., Estates Bursar and Senior Tutor of Worcester College, Oxford, responded to the toast.

The toast of 'The City of Birmingham' was formally proposed by Mr Major and responded to by the City's Lord Mayor, Alderman Dr Louis Glass.

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS CHALMERS, WADE, IMPEY, CUDWORTH & Co, Chartered Accountants, announce that as from April 1st, 1964, their Birmingham address will be: Edmund House, 12 Newhall Street, Birmingham 3. Telephone Central 28382.

MESSRS ARTHUR C. HEYWARD & Co and MESSRS R. P. HEDLEY & Co, announce that with effect from April 1st, 1964, they have admitted into partnership MESSRS G. CATO, A.C.A., D. LEIGH, F.C.A., and A. STRUDWICK, F.C.A. Mr T. C. PEAT, A.C.A., has also been admitted into partnership in the firm of ARTHUR C. HEYWARD & Co. Both firms will practise from 37-39 Beech Street, London EC1.

MESSRS LANDAU, MORLEY & SCOTT, of 13 Marylebone Road, London NW1, announce that as from January 1st, 1964, they have admitted into partnership Mr JOHN BEVERLEY TALBOT, A.A.C.C.A., Mr WILLIAM ERIC WRAGG, A.A.C.C.A. and Mr KENNETH JOHN TAYLOR, A.C.A., who have been senior members of their staff for a number of years.

MESSRS LEIGH, STRUDWICK & CATO, Chartered Accountants, announce that they are moving to 37-39 Beech Street, London EC1 on April 1st, 1964.

MESSRS PRICE WATERHOUSE & Co, formerly of Cavendish House, 41 Waterloo Street, Birmingham 2, announce that as from Tuesday, March 24th, their address is Beaufort House (P.O. Box 120), 96 Newhall Street, Birmingham 3. The telephone number is Central 5682, but the telegraphic address remains unchanged.

## Appointments

Mr Joseph Arthur Appleton, T.D., F.C.A., has been appointed chairman and managing director of Bent's Brewery Co Ltd and of its subsidiary companies.

Mr W. F. Brooks, F.C.A., has been appointed an additional director of Relay Exchanges Ltd.

Mr John E. V. Green, F.S.A.A., chief accountant of Cosmocord Ltd, has been appointed a director of the company.

Mr E. J. van den Heuvel, A.A.C.C.A., A.C.I.S., has been appointed managing director of Waterman Pen Co Ltd.

Mr C. S. Gerard Kealey, F.C.A., has been appointed chairman and joint managing director of Brighton and Hove Stadium Ltd.

Mr R. Thurlow, A.A.C.C.A., has been appointed director and secretary of F. H. Bentham Ltd, and secretary/group accountant of Moses Holroyd Ltd and Bentham Tyre Machinery Co Ltd.

## OBITUARY

### Dennis Bellamy, C.B.E., D.L., F.A.C.C.A.

We have learned with regret of the death on March 16th at the age of 69, of Mr Dennis Bellamy, C.B.E., D.L., F.A.C.C.A., chairman of the Yorkshire Electricity Board from 1952 to 1962.

Admitted to membership of The Association of Certified and Corporate Accountants in 1926, Mr Bellamy joined the electricity department of Hull Corporation (of which he subsequently became general

manager in 1938) following active service in France during the First World War. When the electricity supply industry was nationalized in 1948 he was appointed deputy chairman of the Yorkshire Board, but resigned the same year and returned to being general manager of the East Yorkshire area. Four years later, Mr Bellamy returned to the Yorkshire Board as chairman.

Soon after his retirement from the board in 1952, he was appointed chairman of the governors of the Bradford College of Advanced Technology. A hall of residence which he was to have opened next September is to be named after him.

Mr Bellamy took an active interest in social and charitable organizations both in the East Riding of Yorkshire and throughout the country. He was president of the county centre of the St John Ambulance Association and vice-chairman of the council of the Order of St John in the county. Apart from holding offices in local branches of the British Legion and S.S.A.F.A. he was also chairman of the general council of the Combined Services Welfare Trust, and chairman of the British Limbless Ex-Servicemen's Association.

During the Second World War he commanded the 14th Home Guard Anti-Aircraft Regiment. He was also a deputy-lieutenant for East Riding and Kingston upon Hull.

## SECRETARY TO CHURCH COMMISSIONERS

Sir Ronald Harris, K.C.V.O., C.B., at present a Third Secretary to the Treasury, has been appointed Secretary to the Church Commissioners in succession to Sir Mortimer Warren, F.C.A., who retires on May 31st. The Commissioners have also appointed Mr Kenneth Ryle, M.C., F.C.A., at present Financial and Administrative Secretary to the Church Commissioners, to the newly created post of Deputy Secretary.

Sir Mortimer Warren, who is aged 60, was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1927. He entered the office of Queen Anne's Bounty in the same year and became Administrative Secretary to the Church Commissioners when they were formed by the amalgamation of the Ecclesiastical Commissioners and Queen Anne's Bounty in 1948. He has been Secretary to the Commissioners for the past ten years. His work was commended in the recent report of the Committee presided over by Lord Monckton on the administration of the Church Commissioners.

## DEFENCE BONDS: CONVERSION OFFER

The Treasury has announced that a conversion offer will be made to holders of 3½ per cent Defence Bonds issued on July 1st, 1954, and maturing on July 1st, 1964.

These holders will be invited to exchange their holdings into 4½ per cent Defence Bonds (Second Conversion Issue) on July 1st, 1964. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at 3½ per cent per annum on July 1st, 1964, together with a premium of £3 per cent on bonds exchanged. Acceptance of the

offer of conversion will not involve any break in the holders' encashment rights. If the offer is not accepted, interest on the maturing bonds will cease with the payment due on July 1st, 1964. The terms of the new Conversion Issue Bonds will be the same as those of the  $4\frac{1}{2}$  per cent Defence Bonds (Second Issue) currently on sale except that interest will be payable on January 1st and July 1st. The list of acceptances of the conversion offer will be closed on April 3rd, 1964.

#### **G. & C. FINANCE CORPORATION LTD**

##### **Winding-up under Protection of Depositors Act**

In view of the fact that G. & C. Finance Corporation Ltd had not produced accounts in respect of its business as required under section 6 of the Protection of Depositors Act, and in the light of the facts ascertained as a result of an investigation under section 18 of this Act, the Board of Trade used its powers under section 16 to petition for its winding-up. The petition was granted on March 9th, and the Official Receiver, Board of Trade, Inveresk House, Strand, London WC2, is now the provisional liquidator pending the holding of a meeting of creditors. All queries in connection with this matter, whether from creditors or other interested parties, should be addressed to the Official Receiver.

The Protection of Depositors Act came into force on October 9th, 1963, and the first accounts under its provisions were due to be deposited by January 10th, 1964. These are the first winding-up proceedings taken under the Act.

#### **LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS**

##### **Data-processing Discussion Group**

The next meeting of the London and District Society of Chartered Accountants' Data Processing Discussion Group will be held on Tuesday, April 14th, when Mr D. W. Hooper, M.A., F.C.A., of the National Coal Board, will speak on 'Payroll, labour costing and labour statistics'. A further meeting is to be held on May 12th when the subject for discussion will be 'A review of some recently announced computers', by Mr J. P. Hough, A.C.A., of Robson, Morrow & Co, Chartered Accountants, of London.

Both meetings will be held at 'Ye Olde Dr Butler's Head', Mason's Avenue, Coleman Street, London EC2, at 6 for 6.30 p.m. Further particulars regarding the activities of the Group are available from Mr J. P. Hough, 4 Cophthall Avenue, London EC2.

#### **THE DUBLIN SOCIETY OF CHARTERED ACCOUNTANTS**

##### **Members' Meeting**

The next meeting of The Dublin Society of Chartered Accountants will be held at 6 p.m. on Wednesday, April 8th, at Jury's Hotel, Dublin, when The Honourable Mr Justice John Kenny will address members on 'The Companies Act, 1963'.

##### **Students' Study Conference**

A students' week-end study conference is to be held from April 10th - 12th at Greystones, Co. Wicklow. This new venture on the part of the Dublin Society is designed for students studying for Parts III, IV and V

of the examinations of The Institute of Chartered Accountants in Ireland. Students from Cork, Limerick and Sligo are also being invited and altogether an attendance of some fifty students is anticipated.

The programme for the week-end will include a panel discussion - with leading speakers from the fields of management, economics and finance - followed by a question and answer session, and lectures on 'The Companies Act, 1963'; 'Liquidations'; 'Consolidated accounts' and 'Tax planning'.

#### **THE LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS**

##### **Fleming Birch Prizes**

Prizes in respect of the November 1963 Final examination of The Institute of Chartered Accountants in England and Wales are being awarded as follows:

- (1) Mr J. E. Dudgeon, articled to Mr C. R. Riddington, of Leicester.
- (2) Mr J. B. Gibbins, articled to Mr P. T. Muggison, of Leicester.

Mr Dudgeon was the highest placed candidate in the Final examination from the area of The Leicestershire and Northamptonshire Society, and Mr Gibbins was awarded the Plender Prize for the paper on Taxation.

The prizes will be presented by the President of the Society at the annual general meeting to be held at the Grand Hotel, Leicester, in May.

No award in respect of the Intermediate examination is being made on this occasion.

#### **BRADFORD CHARTERED ACCOUNTANT STUDENTS' SOCIETY**

The annual general meeting of The Bradford and District Chartered Accountant Students' Society was held last Wednesday, March 25th. The report of the Committee for the year ended December 31st, 1963, presented at the meeting, shows that membership of the Society at the year-end totalled 553. Of this number, 340 members were in Bradford, 138 in Huddersfield and 75 in Halifax.

Nine evening lecture meetings took place in Bradford during the year, but despite the fact that the subjects were of a more general nature than in the past, the attendances were again disappointing. However, the Saturday morning lecture programme at Bradford Technical College - run for the first time this year in conjunction with the Students' Society - was well supported. A three-week introductory course was also held at the college and proved most successful. Final and Intermediate students took part in a course held at the Bradford Institute of Technology and the course was well supported, as was the twelfth annual residential course at Grantley Hall.

The Huddersfield Branch enjoyed a most successful year, the programme including a number of lecture meetings, a works visit and cricket, tennis and football matches. It is disappointing to record, however, that no meetings were held by the Halifax Branch, efforts to appoint a branch secretary and committee meeting with no response.

The Committee's report is contained within the Spring Number of the Society's magazine, two



editions of which were published in 1963. The magazine it is stated, has received a mixed reception from members due to controversial articles, but more interest is now being shown than ever before.

### CERTIFIED ACCOUNTANTS LONDON STUDENTS' SOCIETY

#### House of Commons Dinner

Last Saturday, the Certified Accountants London Students' Society held a dinner in the Members' Dining Room at the House of Commons, by courtesy of Mr William Clark, M.P., F.A.C.C.A., Member of Parliament for Nottingham South and a member of the Council of the Association. Mr V. R. Chennell, F.A.C.C.A., President of the Association, was in the chair.

Mr F. H. C. Betts proposed the toast of 'The London Students' Society' and in his reply, Mr Chennell referred to the basic foundation of self discipline which it was necessary for every student to develop in order to build a foundation for a successful career in the profession. He also reminded them of Francis Bacon's dictum, 'Every man is a debtor to his profession' and explained the implications attaching to it. He congratulated them on being members of one of the most flourishing student societies in any of the professions - 'what other society', he asked, 'could claim average attendances of over one hundred at its lectures each month?'

Mr Clark proposed the toast of 'The Guests' in a witty manner and the company was then treated to a feast of oratory by Mr Charles Locke White, Barrister-at-law and formerly political secretary to Mr Lloyd George in the last years of his life.

### HOUSING OF OLD PEOPLE

Local authorities are providing an increasing number of houses for old people in schemes which make arrangements for them to have some care and attention, but which give them at the same time full independence in their own homes. The Institute of Municipal Treasurers and Accountants has now published a booklet, *Housing of Old People - A Survey of Costs*, which examines the costs of providing these grouped homes for old people and other types of accommodation purpose-built to suit their special needs.

The survey includes information collected from 188 authorities covering 320 individual schemes and it shows that local authorities have approached the problem of accommodating old people in their own homes in a variety of ways. In some cases they have made the ground floor of a block of flats available, whereas in others, they have erected a smaller block of flats or a group of bungalows specifically for old people with accommodation for a resident warden, guest rooms, and a call-bell system for use in case of need. In some cases one of the old people acts as a warden/caretaker,

### SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF MARCH 23RD, 1889

*From a Weekly Note*

#### "DESCRIBED AS ACCOUNTANTS"

Readers of the Police news and of that portion of the daily press set apart for the reports of criminal cases, must have been struck with the frequency with which, without rhyme or reason, many of the persons charged were "described as accountants," and the only parallel to be found for this extreme partiality is that where the prisoner charged is "described as an actor (or actress)." Accountancy and the dramatic profession run each other very closely for this unenviable distinction. Much of the odium which the respectable and *bona fide* members of these two professions have unjustly suffered from in the past is traceable to this facility of misdescription. The Council of the Institute of Chartered Accountants, therefore, did a very wise thing when they issued an order requesting all members to describe themselves uniformly as "Chartered Accountants," and if any arguments were required to bring home the necessity of complying with this rule a perusal of the daily papers for a week would undoubtedly furnish some. The case of W. H. Manning, J. H. Coghlan, both "described as accountants," and others charged with conspiring to defraud, and for which the two persons "described as accountants" have recently been sentenced to seven years penal servitude, is one in point. . . . The adoption of this uniform description will, moreover, be an effective means of educating the public to the fact that there is an Institute of Chartered Accountants, and that the members thereof are amenable to a governing body, which will not be slow to enquire into any causes of misconduct with which its members are charged.

receiving a rent rebate in payment for his services, or the scheme is run in co-operation with a voluntary organization such as the W.V.S. who provide additional welfare services such as 'meals on wheels'.

The rent income arising from these schemes varies, but most fall in the range of £25 to £55 per year, i.e. from 10s to £1 per week. The old people are thus provided with independent accommodation at a reasonable rent, whilst in most schemes the cost to local authorities is less than if the accommodation were provided in an Old Peoples Home.

Copies of the survey are available from the Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster SW1. Price 5s each.

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**CHARTERED ACCOUNTANTS' HOCKEY CLUB**

Following the loss of the effective services of their centre-half, Hodder, the Chartered Accountants failed to hold on to a two-goal lead in their annual match with the Insurance Hockey Association at Forest Hill on March 11th, and the game ended in a 3-3 draw.

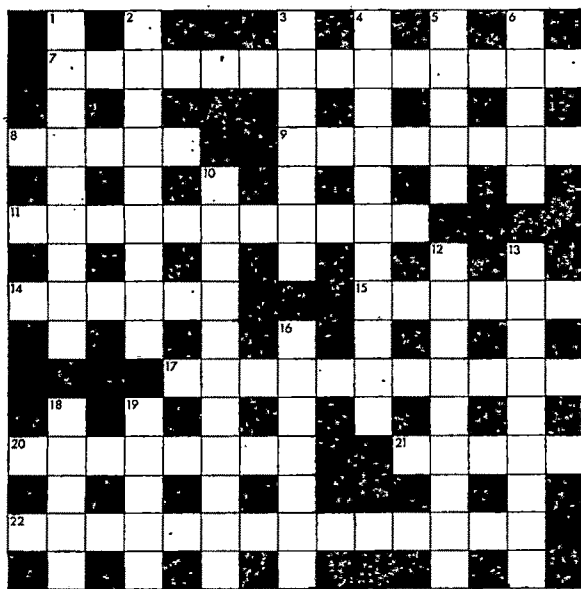
After an early raid by the I.H.A., the Accountants took the initiative and pressed for considerable periods. A ballooned shot failed to find its way into the goal after hitting a post, but shortly afterwards the Accountants were rewarded when their inside-left Threlfall scored following a movement in which all five forwards had taken part. The defence proved very sure, and with their half-backs dominating the play the Accountants continued to press. However, the I.H.A. were able to equalize when they took advantage of one of the few lapses in defensive cover, and one player having floored the Accountants' goalkeeper, inside-left Fisher placed the ball into an empty net. This brought renewed pressure from the Accountants, who went into the lead

once more when Threlfall deservedly scored his second goal. It was then that misfortune struck; a clearance by a defender shortly before half-time hit his own centre-half on the leg, necessitating his having to be helped off the pitch.

The start of the second half saw Hodder back, but as a limping passenger on the right wing, with Clark in the centre. At first the Accountants overcame their handicap and increased their lead when Hines scored with a clever, angled shot. However, continuous pressure from the I.H.A. began to tell and resulted in Howells making the score 3-2 with a perfect flick into the corner of the net. Shortly afterwards they were level when outside-right Shelbourne, broke through and scored himself. Although the Accountants' forwards made sporadic raids, they failed to reproduce their penetrating attacks of the first half, and with the defence never really overcoming the loss of Hodder, the I.H.A. forwards were able to press for long periods. Good covering, however, prevented any further score.

**ACCOUNTANTS' CROSSWORD**

Compiled by Kenneth Trickett, F.C.A.

**CLUES ACROSS**

7. How a brief meeting can be recorded, very shortly (2, 1, 6, 2, 3).
8. Mistakenly takes an interest in the post (5).
9. Purchasers find plant for each inside the ship (8).

11. Phrase with print botched reveals a business relation (11).
14. England, briefly, has time to secure one's services (6).
15. Sixpence for what an auditor is, *inter alia* (6).
17. Get someone wealthy to groove the edge of a coin, then put one on a Yorkshire river (11).
20. Is as real, perhaps, as the emoluments (8).
21. Failure of legacy may be a mistake (5).
22. Change what is lent as part of the National Debt (10, 4).

**CLUES DOWN**

1. Seizure of goods involves copper, it includes stock (9).
2. Indicate altered date, beginning of year, when there is buying and selling (6-3).
3. What 11 must do by definition, nearly to stay in Scotland (7).
4. Transfer may be arranged in eating, too (11).
5. Debtor, having nothing besides an appendix, falls (5).
6. Prize judgement (5).
10. I can be fiery when upset, though receiving trust income (11).
12. Providing for increases and decreases instead of a lift (9).
13. Be an agent about now (9).
16. Band like the demand for luxuries (7).
18. Squeeze back alternatively of full age (5).
19. Possess about a pound, to make it ten shillings (5).

*The solution will be published in next week's issue.*

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# THE ACCOUNTANT

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## Prohibited Accumulation of Income

**P**ROVISIONS in wills and settlements for the accumulation of income of settled funds are subject to restrictions imposed by section 164 of the Law of Property Act, 1925. Subsection (1) lays down four different periods, any one of which can be chosen, depending on the circumstances. Subsection (2) makes an exception in favour, *inter alia*, of accumulation of income 'for the payment of debts'. Section 164 was recently the subject of litigation in the High Court (*Re Rochford's Settlement Trusts*, as reported in *The Times*, of March 26th), arising out of a voluntary settlement made in 1917.

The settlement directed that until the death of the last survivor of the settlor's eight children (the 'suspense period') the income of the settled fund was to be paid to the children in various proportions, and to various relatives of the children. At the end of the suspense period the capital was to be distributed. Then the settlement provided:

'Whenever during the suspense period any estate duty shall become leviable in respect of any income of which trusts are declared . . . or any part thereof in consequence of the death of a person entitled to receive such income or part of income such estate duty shall be paid out of the income in respect of which it shall be leviable and as first charge thereon and not to any extent out of the capital of the trust property, but this direction shall not apply to the estate duty leviable on the death of the last survivor of the said children of the settlor upon which event the suspense period will terminate.'

The settlor died in 1932 and the trust fund was now worth some £600,000. A number of children had died and there was a large amount of estate duty outstanding against the trustees in respect of the children's death. One of the income beneficiaries was a lady aged 73, the widow of one of the settlor's sons, and if the direction to pay the estate duty on her husband's death was valid, it would mean no income for the widow for thirteen years.

CROSS, J., said the direction in the settlement could not affect the Crown's right to immediate payment of duty. In the first place, therefore, the trustees had to raise the money out of capital, either by applying the capital itself or mortgaging it. If income was then applied in making good this loss, then it was being accumulated beyond the permitted period. Moreover, the direction was not 'for the payment of debts' because at the time the settlement was made there was no estate duty debt, not even a contingent one. Accordingly, the direction was rendered void by section 164, and the estate duty must be paid out of capital.

## Inland Revenue Report

PERHAPS the most striking change revealed by the Inland Revenue Report for the year ended March 31st, 1963<sup>1</sup> is the fall in the number of surtax payers, with an accompanying fall in surtax yield. Whereas some four hundred and sixty-five thousand persons paid surtax for 1960-61, only 280,000 paid it (or will pay it) for 1961-62. The amount of earned income assessed for 1960-61 was £1,260 million. For 1961-62 it is estimated at £765 million. Investment income assessed to surtax increased from £765 million to £770 million, so that for the first time the amount of investment income assessed to surtax exceeded the earned income.

All this stems, of course, from the introduction in 1961-62 of earned income relief for surtax, together with the special earnings allowance, which are very briefly mentioned in the text of the report. The above figures for 1961-62 are estimates of the final figures for the year, as given in Table 80. Actual assessments made up to June 30th, 1963, are shown in Table 81. For 1960-61 the number of persons actually assessed by then was 442,123; for 1961-62 when the new allowances first operated the number was 249,281. Persons whose total income exceeds £2,000 but who, because of personal allowances, are not liable to surtax are excluded. Even for 1956-57, when certain personal allowances were extended to surtax for the first time, 45,000 persons with an aggregate income of £100 million dropped out of the surtax field. In the income range £2,000 to £2,500, the number of persons assessed dropped from 74,008 to 15,190. In the next range (£2,500 to £3,000) the fall was from 100,729 to 35,093. The combined income assessed in these two ranges fell from £423 million to £132 million. At the other end of the scale, the number of persons with an income exceeding £100,000 increased from eighty-seven to ninety-two.

There are the usual extensive statistics in the report about income tax assessed under the various schedules and about personal total incomes. In particular, income from abroad is analysed. That the system of relief for overseas trade corporations has not been so popular as was perhaps expected is brought out by some

figures shown in the text of the report. The number of companies which qualified for this status in 1957-58 was 812. It rose to 875 in 1958-59 (after a slight fall in 1959-60) to 917 in 1960-61. The provisional figure for 1961-62 shows another fall—to 880. These numbers seem remarkably small.

March 31st, 1963, is a landmark in the field of post-war credits. By that date about one-half of the credits had been repaid. If the public had been told in 1941, when the credits were first created, that twenty-two years later only one-half of them would have been repaid, there would have been considerably less enthusiasm for the idea.

The elaborate survey of personal incomes in the previous report contained a number of errors in the classification of the Welsh counties and regions. These were due to a fault in the coding arrangements and resulted in transferring some cases from the south-east Wales region to the rest of Wales, and between certain Welsh counties. The current report contains the corrected tables. There were smaller errors in England. For instance, Smethwick was included in Warwickshire instead of Staffordshire.

Profits tax shows its accustomed buoyancy of yield, all the more so after the increase in rate from 12½ per cent to 15 per cent on April 1st, 1961. The Exchequer receipt in 1961-62 was over £335 million, for 1961-62 it was over £383 million, and for 1963-64 the Budget estimate is £398 million. The number of cases assessed in 1961-62 was 3,045; a slight fall on the previous year's 3,120. The corresponding amounts charged to tax were £3,045 million and £3,120 million, and net tax was £361 million and £323 million.

There are some useful figures relating to companies, industry by industry, for the three years 1958-59, 1959-60 and 1960-61. Trading profit, capital allowances, distributions, profits tax, and income tax are all shown as percentages of turnover in each industry.

Estate duty is another tax which shows a persistent buoyancy. The Exchequer receipt in 1962-63 was over £270 million as against a Budget estimate of £264½ million, while the Budget estimate for 1963-64 is £279 million. This is in spite of a progressive raising of the

<sup>1</sup> Cmd 2283. H.M.S.O. Price 16s net.

exemption limit for small estates and the concessions made in recent years in favour of factories and plant and machinery. There is a gradual increase in the number of estates which bear duty.

By using estate duty statistics, the Department has produced some interesting tables showing the estimated wealth of individuals in Great Britain in 1960, 1961 and 1962. The tables show analyses of the wealth, indicating the different types of property of which the wealth is composed. With the tables is a fascinating account of how the estimates have been arrived at. One interesting

item of incidental information is that out of 620,000 deaths in 1962 only 305,000 led to grants of representation. The 315,000 deaths for which no grants were taken out were those where there was either no property to trouble about, or where the sole property of any value could be passed to the deceased's successors without a grant, as for instance, in the case of National Savings Certificates.

The Stamp Duties section of the report includes a most useful alphabetical table of current duties, following the extensive changes introduced on August 1st, 1963.

## A Remarkable Saving

by K. BUCKLEY EDWARDS

*In the case upon which this article is based, the Controller of Stamps took the view that eighty-nine transfers were chargeable with duty of £8,420 0s 6d as conveyances on sale. The Court held that the proper duty was £44 10s 6d, a saving of £8,375 10s.*

**I**N *Ayrshire Pullman Motor Services and Ritchie v. C.I.R.* (14 T.C. 754) Lord Clyde, Lord President of the Court of Session, made his celebrated remark that:

'no man in this country is under the smallest obligation, moral or other, so to arrange his legal relations to his business or to his property as to enable the Inland Revenue to put the largest possible shovel into his stores. The Inland Revenue is not slow – and quite rightly – to take every advantage which is open to it under the taxing statutes for the purpose of depleting the taxpayer's pocket. And the taxpayer is, in like manner, entitled to be astute to prevent, so far as he honestly can, the depletion of his means by the Inland Revenue'.

In the last forty years this dictum has done much to disperse the once popular notion that to attempt to reduce the burden of tax, regardless of the method adopted, is an anti-social act deserving of condemnation. Tax planning, as opposed to tax evasion, has become respectable. But it is still sometimes forgotten that if there are two ways of carrying out a transaction, one of which attracts tax while the other does not, no saving can be effected if the wrong method is adopted. The view that in tax matters it is the substance, not the form, which matters, was finally dispelled by the House of Lords in *Duke of Westminster v. C.I.R.* (19 T.C. 490). Nowadays there is a growing feeling that Revenue law is a single subject of study, and that when the accountant or lawyer is asked to advise on tax or estate duty saving, he is

bound also to consider the effect his advice will have on the possible cost in stamp duty.

### Special Cases

Since the turn of the century the rate of stamp duty, like that of other taxes, has been generally upwards, but worth-while concessions have been made to the taxpayer in certain instances. Subject to provisos, the acquisition of the whole or part of the undertaking of, or at least 90 per cent of the issued share capital of, a company by another company in exchange for its own shares may effect, under section 55 of the Finance Act, 1927, as amended, a saving of stamp duty on the transfer of the acquired shares as well as the 10s per cent duty on the share capital which the acquiring company uses for the consideration.

Exemption from transfer duty (but not capital duty) may also be obtained under section 42 of the Finance Act, 1930, as amended, if one company is a 90 per cent subsidiary of another company, or both are 90 per cent subsidiaries of a third company. These savings, in some cases, are very considerable. When, for example, the British Motor Corporation was formed, they are said to have amounted to about £650,000.

To encourage wider home ownership, section 34 of the Finance Act, 1958, as amended, provides reduced rates of duty in the case of conveyances of property (but not transfers of stocks and shares) executed on or after August 1st, 1958, and complete exemption where the instrument is certified

at £4,500 or under. As a result of strong pressure to encourage wider share ownership, the Finance Act, 1963, has reduced the transfer duty on stocks and shares from 2 per cent to 1 per cent. But there are still widespread cases where stamp duty presses heavily on the transferee, as, for example, where the shares of another company are acquired for cash or an individual investor forms a private investment company to take over his holdings so as to translate unearned income into earned income in the shape of directors' fees. Can anything be done in such cases to minimize the duty?

### General Principles

It is a fundamental principle of stamp duty law that duty is charged on instruments, not transactions, so that if there is no instrument there can be no duty. Thus, if a contract is concluded orally, or a mortgage is effected only by deposit of documents, or the title to property is transferred by delivery, duty is avoided. If a transaction is effected without the use of a written instrument and subsequently a written record of the transaction is made, the written record is generally not liable to duty because the transaction is not effected by the written instrument which merely records a transaction which has already taken place. But there are important exceptions to this rule.

Another rule is that if a transaction can be effected in more than one way, the duty chargeable is that which is appropriate to the instrument actually used. If A. transfers a mortgage for £10,000 to B. by way of gift, the instrument must be stamped as a voluntary conveyance at 1 per cent = £80. But if A. gives B. £10,000 to enable B. to purchase the mortgage from him, the instrument transferring the mortgage will be stamped as a 'transfer of mortgage' at 1s per cent = £5. A third rule which is relevant for the purposes of this article, is that the liability of an instrument to duty must be determined according to its terms and effect at the date of execution.

### Statutory Provisions

Section 54 of the Stamp Act, 1891, states:

'For the purposes of this Act the expression "conveyance on sale" includes every instrument, and every decree or order of any Court or of any Commissioners, whereby any property, or any estate or interest in any property, upon the sale thereof is transferred to or vested in a purchaser, or any other person on his behalf or by his direction.'

so that an instrument is not a conveyance on sale under the section unless (a) it transfers property (b) upon a sale thereof. Section 59 of the Act,

however, prevents a loss of stamp duty to the Revenue by providing that any contract or agreement for the sale of (i) any equitable estate or interest in any property whatsoever; or (ii) any estate or interest in any property, with five exceptions, is to be charged with the same *ad valorem* duty as if it were an actual conveyance on sale of the property agreed to be sold. A subsequent conveyance or transfer (if any) is not then chargeable with any duty but the Commissioners will, on application, either impress a duty paid denoting stamp on the conveyance or transfer or, on production of the contract or agreement duly stamped, transfer the *ad valorem* duty to the conveyance.

### Cory's Case

In *William Cory & Son Ltd v. C.I.R.* ([1963] T.R. 441) the consideration for the transfer of shares was paid wholly in cash, and neither section 55 of the Finance Act, 1927, nor section 42 of the Finance Act, 1930, was applicable; yet the transfer duty of 2 per cent (as it then was) was successfully avoided so far. What is more, the method adopted had the merit of extreme simplicity.

The facts were that on August 13th, 1957, a representative of the taxpayer company (Cory) and a representative of J. Palmer Ltd and five associated companies (Palmer) decided in principle on a sale of Palmer's shares to Cory for £450,000. On August 20th, 1957, a draft sale agreement, which provided for completion on November 1st, 1957, was sent by Cory to Palmer. The draft contained a number of warranties, and in particular a warranty as to title, because many of Palmer's deeds had been destroyed or lost, and it gave Cory power to rescind if the title was not acceptable. On September 10th, 1957, the solicitor to Palmer sent to Cory's solicitor a draft in a different form. The price was £450,000 as before, but completion was to take place immediately after signature. On October 24th, 1957, the solicitor to Palmer sent to Cory's solicitor a clean draft of the agreement incorporating the agreed amendments and also further proposed amendments.

On October 25th, 1957, Cory's solicitor informed Palmer's solicitor by telephone that Cory required an immediate option on the shares, otherwise the deal would be called off. Three days later Palmer agreed to grant the option, and it was conferred by an agreement dated November 1st, 1957, and was exercisable within thirty days. The consideration for the option was stated to be £100, and the consideration for the shares was expressed as £420,856 3s 6d which, together with

the £100, was equivalent to £450,000 after deducting the price of certain shares not comprised in the option agreement. The option agreement provided for the transfer of the shares in the Palmer companies to Cory forthwith, but the transfers were not to pass any beneficial interest in the shares, and each deed contained a certificate in the following terms:

'We hereby certify that the transaction on which this transfer is made, and under which the fixed duty of 10s is payable, falls within the following description: (b) Transfer, where no beneficial interest in the property passes. Made for the protection of option rights in respect of the shares transferred.'

There were eighty-nine transfers in all, and each was expressed to be made in consideration of 1s. The next day the option agreement and the transfer deeds were submitted to the Controller of Stamps who contended that the transfer deeds were chargeable as conveyances on sale. On this footing the duty amounted to £8,418, and it was paid without prejudice to the contention that no *ad valorem* duty was payable.

On November 8th, 1957, a statutory declaration as to title was given to Cory, and on the same day the option was exercised *verbally* at an interview between a representative of Cory and the solicitor to Palmer. The purchase price was paid forthwith and on May 20th, 1959, the Controller of Stamps adjudicated the option agreement as liable to stamp duty under section 59 of the Act of 1891 as an agreement for the sale of an equitable interest. This duty came to £8,420 0s 6d and was an alternative to the duty already charged on the transfer deeds. Cory appealed.

### The Judgment

In the Chancery Division of the High Court, Pennycuik, J., said it was apparent from the nature of the transaction and also from the documents annexed to the stated case, that the option agreement contained an artificial arrangement designed to carry through the purchase of the shares in Palmer in such a way that no stamp duty would be payable. But it was conceded by the Revenue that the option agreement must be treated as a genuine document in the sense that it set out truly the terms by which the parties intended to be bound. Palmer was bound under the agreement to execute immediate transfers of the shares, but the transfers did not of themselves effect any change in Palmer's beneficial ownership. Only when Cory exercised its option was there a sale of the shares under which the beneficial ownership in the shares passed to Cory.

Section 53 of the Law of Property Act, 1925 (which provides that some transactions cannot be effected without the use of a written instrument), might have some relevance as between Palmer and Cory, but it could not affect the question of liability for stamp duty. It was a well-established rule that the liability of an instrument to duty must be determined according to its terms and effect at the date of execution: *Ridge Nominees Ltd v. C.I.R.* (40 A.T.C. 419). When the transfers were executed there was no subsisting contract of sale, and the transfers themselves did not effect a sale, so that the transfer deeds were not conveyances or transfers on sale within section 54 of the 1891 Act.

### Option Agreement not a Contract for Sale

The substance of the Revenue's alternative contention was that the option agreement represented a contract for the sale of the equitable interest in the shares (within section 59) which would come into existence as soon as the shares were transferred to Cory under the terms of the option agreement. But, said his lordship, the option agreement was not an agreement for sale, and that being so, it was clearly not an agreement for the sale of the equitable interest in the shares. It represented no more than an offer to sell by Palmer which was irrevocable for a specified period.

It had been contended for the Revenue that the Court must look at the whole process up to and including November 8th, 1957, and so looking, find that the option agreement and the transfers were executed as part of a transaction of sale. But that was to say that the Court must disregard what was admittedly the genuine stages in carrying it out, and the Court was not entitled to make that approach. The stamp duty payable was therefore not £8,420 0s 6d but 10s on each of the eighty-nine transfers, amounting to £44 10s 6d.

It is understood that the Revenue is appealing against the decision. Pending the outcome of the appeal, there appears to be no reason why the procedure adopted in *Cory's* case should not be followed in other cases where the circumstances are appropriate so that, if the final outcome is in favour of the taxpayer, the stamp duty can be reclaimed. But payment of the 1 per cent transfer duty should, of course, be made without prejudice to the contention that no such duty is payable, and it is of the utmost importance that the option to purchase should be exercised orally and in no way in writing.

# The Use of Games in Business Training

by ARTHUR J. C. GRANT, M.Sc.(Econ.), F.C.I.S.

Senior Lecturer, The Polytechnic School of Commerce and Social Studies

**I**T is unfortunate that the mention of business games seems to conjure up in the minds of many people the idea of a lighthearted diversion for business executives from their more serious activities – a parlour game played under the pretext of business training.

The use of business games is, in fact, a serious method of business education, the potentialities of which have hardly begun to be realized; and the plea of the writer is for a wider use of appropriate games and a fuller appreciation of the part they may play in advanced business studies.

## Lack of Practical Work

In the absence of the laboratory work which forms part of the training for the physical sciences, the business student has had to be satisfied with the working of exercises in accounting, costing, statistics, business administration and other related subjects. These exercises are normally limited to isolated problems of a static nature and are much influenced by the pattern of professional and other examinations. Students are called upon to manipulate a certain set of statistics, but no opportunity is given of deciding what are the appropriate statistical relationships to produce in a particular case.

Similarly students learn of different methods of costing, but do not have the opportunity of making use of the costs which they have prepared nor of comparing the usefulness of different bases. Students are taught the essentials of budgetary control and of the methods of preparing budgets but do not have the opportunity of resolving the conflicts which invariably arise in practice.

Problems on the interpretation of accounts tend to be somewhat crude and give students no opportunity of comparing their interpretation with the subsequent results of the firm concerned. In business administration, the students learn of the division of functions but never have the opportunity of forming themselves into an effective business team. In business finance, students become acquainted with the methods of raising capital for a business but do not have the oppor-

tunity of arranging for the raising of the capital for a particular business in a certain situation and comparing the effects with those of the capital structure chosen by their competitors.

Students learn the elements of micro-economics but do not have the opportunity of comparing the working of the price mechanism in the rarefied atmosphere of the textbook with that in the real world of uncertainty and mistakes. They do not have the opportunity of seeing to what extent, and in what way, training in theoretical economics is able to assist in the world of business. They may learn something of the nature and products of market research but may still be at a complete loss as to how to make use of the information that is available to them, to determine what it is worth, and when it is worth obtaining.

A well-designed business game, or better still several complementary business games, can provide the student with the experience or practice which he is lacking in a most profitable and stimulating form. This is not claimed for a business game designed by a computer manufacturer to indicate the versatility of his product; the task of preparing such a game is one for the educationalist and not the computer expert.

## Games Not a Substitute for Formal Teaching

Business games are not designed to be, nor can they be substitutes for formal teaching in the subjects mentioned. Without sound formal teaching in business studies a game can only be but a reflection of the inexperienced management of the firm which in real life fails to make the most of its opportunities and ultimately withers and dies without ever knowing why.

The recent report<sup>1</sup> of a subcommittee of the National Advisory Council on Education for Industry and Commerce, under the chairmanship of Mr W. F. Crick, draws attention to this deficiency in business training; in paragraph 30 they say:

'We think the courses should be firmly grounded

<sup>1</sup> *A Higher Award in Business Studies* (H.M.S.O. Price 1s 9d). (See *The Accountant* for March 21st, page 374-.)



on a few basic disciplines, the essentials of which the student would need to grasp so as to be able to use their modes of thought and tools of analysis in tackling business problems. The courses should extend from these disciplines into a number of fields of application. One obvious basic discipline would be economics. Students should have some familiarity with recent economic history and with the current economic and industrial structure of their own country in particular. They should also be taught to use economic theory intelligently and effectively in dealing with practical business problems, especially at the level of the firm. Thus they would need to be acquainted with such problems as arise in costing and pricing, marketing and capital investment.

The present writer has proved that a business game run over a session with weekly meetings for decisions provides the necessary training. It gives time for the members of the team to become acquainted with the model which must of necessity be artificial in some respects, and to identify themselves with the company they are operating. The success of their efforts is measured in the consequences of their decisions and the profits they have made.

### Opportunity to Review Decisions

Unlike the position with normal questions the answers to which are right or wrong, the participants in a business game can review their decisions or solutions to their problems from week to week and are able to learn from their experience and to minimize the consequences of unsatisfactory policy decisions by revising them in the light of further experience. As in real life, the future consequences of unwise decisions can seldom be completely obliterated, but refusal to make decisions which at times must be bold is even more disastrous.

How is the business game able to achieve all these claims made for it? The most satisfactory way of finding out is to participate in such a game. For the benefit of those for whom this is not practicable, a brief outline of the game drawn up by the writer and currently in use at the Regent Street Polytechnic is given below.

The participants are grouped into teams each of which operate a 'business' in competition with other businesses in the industry. Each team has to decide its production policy week by week both as regards volume of output and the type of equipment to be used. The accompanying table (page 408) shows the possibilities open to these simulated companies.

Each team is provided with the same initial

capital to cover the cost of operating the business. This is augmented by the profits which are earned and are all retained in the business. Initially the firms are allowed to produce one product only (odds) and sell it in an increasing number of markets up to a limit of four (its own territory, a territory containing no producers, and the territories of two competitors). After the opening up of these markets the firms are permitted to produce the second product (ends) in markets which increase in number from one to four as with odds.

Finally, tenders are invited for the supply of odds and ends to buyers outside these markets. The contracts offered are for substantial quantities to be supplied regularly over a number of periods, and are given to the firms quoting the lowest price. There are penalties for firms failing to fulfil such contracts. The weekly decisions ultimately to be made by the firms involve those relating to:

- (a) purchase of machines including considerations of type of machine and time of delivery;
- (b) purchase of raw materials and the time of delivery;
- (c) engagement, training and/or dismissal of labour;
- (d) level of output, how it is spread over the machines in use, and the amount of overtime, if any, to be worked;
- (e) amount of advertising, if any, to be done in up to four markets for each of the two products;
- (f) purchase, or otherwise, of an up-to-date market research report giving particulars of sales, advertising and prices in all the markets, the capacity of the industry and the level of stocks in the industry;
- (g) prices to be charged in each of up to four markets for the two products;
- (h) price at which to tender for any long-term contract which may be offered;
- (i) preparation for publication to competitors of profit figures and balance sheets every five weeks.

### Teamwork

It will no doubt be seen that a team handling all these matters is obtaining experience that cannot come from the working of any number of textbook questions. There is more than ample scope for the division of labour within the team, yet co-ordination of functions is absolutely essential.

**BUSINESS GAME – ODDS AND ENDS**  
**Machine Specifications and Costs**

Series X – X/O will produce Odds, X/E will produce Ends, X/OE will produce either.

Series Y – Y/O will produce Odds, Y/E will produce Ends, Y/OE will produce either.

Series Z – Z/O will produce Odds, Z/E will produce Ends, Z/OE will produce either.

	Series X	Series Y	Series Z
Availability – from .. .. .	Year 1	Year 4	Year 8
Cost, for delivery in following year .. .. .	£65,000	£90,000	£220,000
Extra for OE models .. .. .	20 per cent	20 per cent	20 per cent
Life .. .. .	4 years	4 years	6 years
Scrap value .. .. .	£5,000	£10,000	£10,000
Overheads, per annum:			
One machine of the series .. .. .	£5,000	£7,000	£16,000
Two machines of the series .. .. .	£9,000	£12,000	£30,000
Each additional machine of the series .. .. .	£3,000	£4,000	£12,000
Extra if odds and ends produced on same machine in one year .. .. .	£1,000	£1,000	£1,500
Capacity – annual output of odds and/or ends:			
normal working .. .. .	1,000	1,000	2,000
overtime working .. .. .	400	400	800
Ratio of overtime labour costs to normal labour costs .. .. .	1½	2	2½
Labour – hours per unit			
Unskilled .. .. .	30	20	15
or			
Unskilled .. .. .	20	10	5
plus Skilled .. .. .	6	6	6
Material – units per odd or end .. .. .	2	2	2

**LABOUR COSTS**

1. Engagement costs:	£
For each 5,000 normal hours p.a. of unskilled work or part thereof .. .. .	2,500
2. Redundancy payments:	
For reduction of 2,000 normal hours p.a. or part thereof – Skilled .. .. .	1,500
– Unskilled .. .. .	1,000
3. Training costs:	
For each 6,000 normal hours p.a. of skilled work or part thereof .. .. .	6,000

NOTE: Training becomes possible after four years.

4. Wage rates	Unskilled	Skilled
Years 1–6 .. .. .	£1 per hour	£1 10s per hour
Years 7 onwards .. .. .	£1 10s per hour	£2 per hour

Long-term budgeting is highly desirable, but is made more difficult by incomplete knowledge of the behaviour of the market situation both as regards the demand for the products and the actions of competitors. There is the opportunity for discovering to what extent the supply and demand analysis of theoretical economics can be used in a company's pricing policy.

Basic cost data remain constant throughout the exercise, but the possibility of a number of production methods makes the preparation of cost curves somewhat difficult. Information regarding demand conditions can only be obtained from experience, and whereas the theoretic-

cal economist can take cover under *ceteris paribus*, those making decisions regarding the pricing policy of the company are plagued by the absence of this restriction, and seek in vain to establish sufficient points on a demand curve to be at all sure of its shape. This does not mean that they are unable to use their economics training to good effect.

Sound business decisions can only be taken quickly where there are appropriate statistics of costs, sales, stocks and other matters readily available. The preparation of such statistics is not likely to tax the abilities of the participants, but decisions as to what are the most appropriate

reports and the most effective layout are much more difficult and present problems which students with no business experience, and probably many others also, would not have encountered apart from participation in the business game.

The Crick business studies report comments in paragraphs 37 and 38:

'... The object is to ensure at each stage of the course an interaction of academic study and practical application such that each serves to illumine and stimulate the other.

'This interaction may be in practice more difficult to achieve in business studies than in the technologies. It has been suggested, first, that day-to-day work in business is further removed from the student's academic studies than is true of a trainee in one of the technologies. Secondly, it has been pointed out that the commercial

employee is bound to acquire some confidential information about his firm and its customers, and the inference is drawn that the employer will be reluctant especially in relation to college-based students, to take the risk of either deliberate or inadvertent misuse of the information thus obtained.'

The use of business games is certainly a means of diminishing this gap between day-to-day work in business and the student's academic studies. Further, since the student as a trainee will at very best witness the taking of policy decisions but will not be allowed to experiment in decision-making, the business game gives him an opportunity of doing just this in situations which are as realistic as possible. There is good reason for insisting that business games should be included in every advanced business studies course.

## The Accounting World

### CANADA

#### National Accounts

IN his report to the Canadian Parliament for 1963, the Auditor-General emphasizes that the statement of assets and liabilities required by Act of Parliament and certified by him is not a balance sheet. It omits a number of items from the assets while including others of doubtful value. He regards as confusing the showing of the excess of liabilities over net assets as 'net debt' on the assets side. While he thinks there would be little to be gained by converting from cash to the accrual basis, he has found some departments which through failure to maintain controlling accounts and to provide effective internal verification by independent officers, show possibilities of having their accounts tampered with.

In the Public Service Superannuation Account there is an actuarial deficiency which should, he says, have been explained each year by a note to the statement. He points out that the deficiency is in fact considerably greater than the \$277 million on the statement, for no adjustment was made to reflect the additional liability resulting from general salary and pay increases. He would have consideration given to inclusion in the public accounts of financial statements designed to reflect clearly the operating results of the various activities. The audit office would be prepared to examine and certify these.

### UNITED STATES

#### Professorial Expenses for Income Tax

A NEW ruling of the Internal Revenue Services gives special recognition to the academician's necessity for doing research and publishing results

without the promise of income therefrom. It states that 'research expenses, including travelling expenses properly allocable thereto, incurred by a professor for the purpose of teaching, lecturing or writing and publishing in his area of competence... without expectation of profit apart from salary, represent ordinary and necessary business expenses incurred in that capacity and are, therefore, deductible...'

### NEW ZEALAND

#### New Zealand Society's Summer School

NEARLY one hundred members of the New Zealand Society of Accountants attended the Society's first residential summer school held in Selwyn College, University of Otago, Dunedin, from February 21st to 26th.

Three papers were presented - 'The administration of a public accountant's office', by Mr K. J. Jensen, B.COM., F.P.A.N.Z., 'Management accounting from the viewpoint of the small practitioner', by Mr W. E. Cadwallader, F.P.A.N.Z., and 'Taxation - principles, purposes and incidence', by Mr L. N. Ross, F.P.A.N.Z. All three papers were followed by discussion, the course being divided for this purpose into eight groups. In addition to the formal papers, addresses were given by two guest speakers: Mr Kenneth Melvin, M.A., DIP.ED., Lecturer in Education, University of Otago, who spoke on 'The accountancy profession as custodian of the mercantile ethic', and Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, who described differences between the New Zealand and the United Kingdom tax systems. Other activities included an open forum on the subject 'The role of the Society in assisting the practitioner', under

the chairmanship of the President of the Society, Mr A. A. Q. Solomon, F.P.A.N.Z.

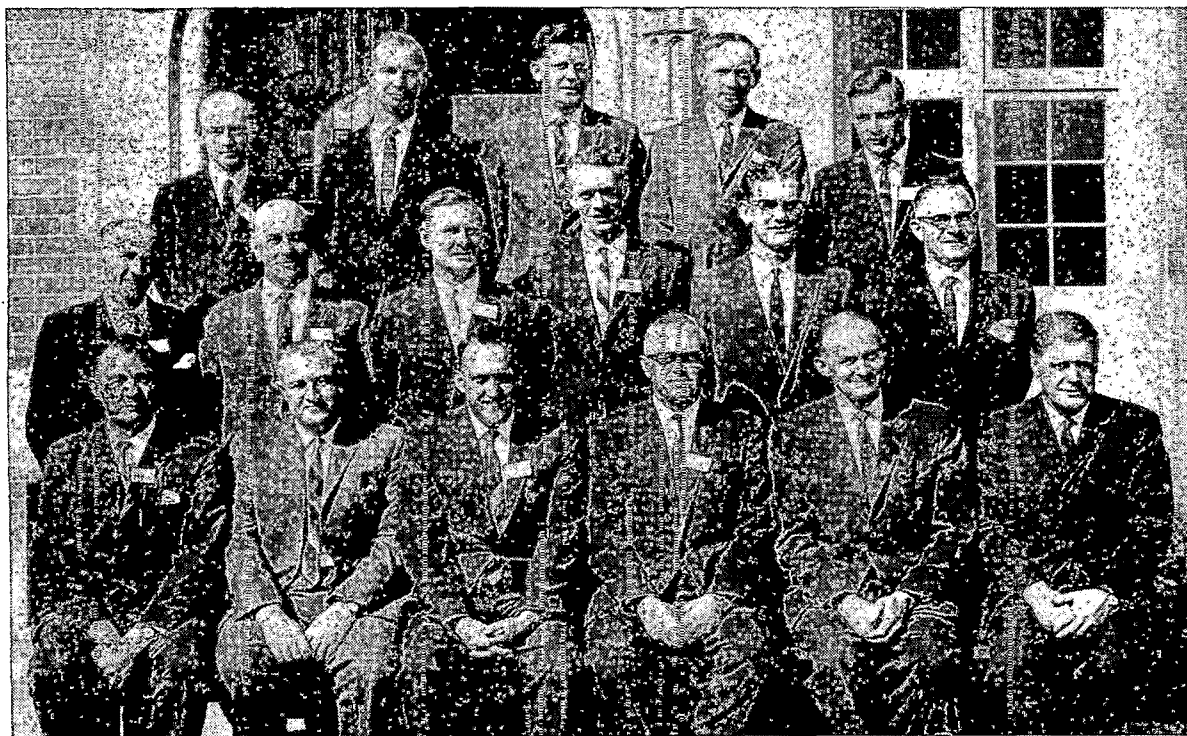
In his paper dealing with the organization of the public accountant's office, Mr Jensen stated that the planning of administration and of policy on professional matters presented special problems for a partnership. He said that while planning by individual partners or an executive subcommittee of partners could save time, it was questionable whether this was the wisest method of conducting a large practice. To maintain harmony and complete understanding among all partners, each should have a voice in establishing the firm's plans and policies; he felt, however, that the administration could best be carried out by making individual partners responsible and a list of individual duties and spheres of responsibility planned, so that the burden was shared by a number of partners. It was important too, he believed, for formal meetings to be held regularly to discuss matters affecting the practice.

Mr Cadwallader, who spoke on management accounting from the small practitioner's viewpoint, stated that the most difficult problem facing the small practitioner who applied management accounting techniques to the work of his clients was usually in deciding on the degree or depth of application. Obviously, he said, a

small shopkeeper could not afford the cost of daily or weekly management reports on sales, break-even points and stock control if these reports were to be prepared by his accountant.

Similarly, a small manufacturer with little clerical assistance would not welcome a full application of standard costs and budgetary control. Mr Cadwallader said that the nearest he had been able to come to a general rule as a guide to the degree of application was that the client, or his manager, should be advised of all the useful information that could be prepared by existing personnel in the business. This, he said, did not involve the accountant in extra work after the initial design and installation of a suitable system and did not involve a client in increased overhead expenses – an important matter to the average small business man.

On the final evening of the course a guest-night dinner was held, with Mr H. E. Strickett, F.P.A.N.Z., in the chair. The toast of 'The New Zealand Society of Accountants' was proposed by Professor J. K. Cowan and the President of the Society responded. Mr Strickett then made presentations to those who had given papers, and Mr G. O. Smart, F.P.A.N.Z., proposed a toast to Mr Strickett in appreciation of his work as chairman of the Summer School Committee.



Some personalities at the Summer School. Front row (left to right): Messrs A. E. Davis, *Group Leader*; F. S. Phillips, *Group leader*; W. H. Morgan, *Group leader*; H. C. Middlebrook, *Group leader*; H. R. Fountain, *Group leader*; B. F. Anderson, *Group leader*.

Second row (left to right): Messrs H. E. Strickett, *Chairman of the Course*; L. N. Ross, *Speaker*; K. J. Jensen, *Speaker*; W. E. Cadwallader, *Speaker*; J. A. Valentine, W. P. Wellington.

Back row (left to right): Messrs A. W. Graham, *Secretary of the Society*; A. A. Q. Solomon, *President of the Society*; I. S. Beattie, *Group leader*; J. G. Tuck, W. H. Dawson.

# Weekly Notes

## SCOTTISH INSTITUTE'S NEW PRESIDENT

AT the annual general meeting of The Institute of Chartered Accountants of Scotland held on March 25th, and reported elsewhere in this issue,



Mr J. W. Dallachy

Mr James Waddell Dallachy, M.A., C.A., was elected President of the Institute for 1964-65.

Mr Dallachy, who was born in 1906 and is a bachelor, was educated at Glasgow Academy and Glasgow University, where he graduated M.A. in 1926. He served his chartered accountant apprenticeship with Messrs Davies, Dunn & Co (now Robertson, Davies & Co) and, following admission to membership of the In-

stitute in 1930, he was for about three years with the Central Electricity Board. In 1933 he set up in professional practice on his own account, and three years later joined his present firm, Messrs Craston Thomson & Allison, as a partner.

Prior to his election to the Council of the Institute, on which he served from 1956 to 1961, he took a keen interest in the Institute's tutorial classes and in the Library in Glasgow. He has been a member of various Institute committees, and of several of these (including, from its formation, the important Universities Liaison Committee) he has acted as Convenor. He was elected Vice-President in 1963.

Mr Dallachy was honorary secretary of the Glasgow Academical Club for a period of some twenty-five years up to 1960. He served for seven years to 1953 as a Governor of the Glasgow Academy under the Glasgow Academicals War Memorial Trust: he then succeeded the late Mr D. Norman Sloan, C.A., as secretary of the Trust.

Mr Dallachy is an ex-deacon of the Incorporation of Tailors, an ex-preses of the Grand Antiquity Society, and a Past President of the Nomads Club in Glasgow. He has acted as honorary treasurer of the Scottish Cricket Union for the past twenty years.

The new Vice-President of the Scottish Institute is Professor Robert Browning, C.B.E., M.A., LL.B., C.A. Admitted a member of the Institute in 1926, he is senior partner in the firm of Messrs John E. Watson & Co, Chartered Accountants, of Glasgow. He has

been Professor of Accountancy at Glasgow University since 1950 and was a member of the Royal Commission on the Press from March 1961 to September 1962.

From 1944 to 1950, as the Institute's Director of Studies in Glasgow, he was largely responsible for the arrangement of special courses for members and apprentices returning from war service. In addition to serving on the Council of the Institute he has served on many Institute committees.

## INTEREST PAID OUT OF PROFITS OR CAPITAL

THE Chancery Lane Safe Deposit Offices Co has successfully appealed against assessments made on it in respect of mortgage interest alleged not to have been paid out of profits (Income Tax Act, 1952, section 170). The interest had been charged against capital in the company's accounts but Plowman, J., held that this did not prevent the company from taking advantage of the general rule under which a taxpayer was entitled to say that interest and annual payments made in a particular year should be treated as paid out of his taxed income. In the absence of special circumstances the right was not affected by the manner in which the payments were made or the manner in which his domestic accounts were kept. His lordship also allowed a profits tax appeal on the same topic, and directed an inquiry as to whether the interest was deductible for profits tax, according to *The Financial Times* of March 25th.

## LIQUIDATOR'S SUCCESSFUL DEFENCE

THE liquidator of a company called Kane Products Ltd who sold three Austin vans in the liquidation, has successfully resisted an action by a finance company (Stoneleigh Finance Ltd) for conversion of the vans. Kane Products Ltd, the original owner of the vans, had approached some motor dealers (Trade Services Ltd) for the purpose of raising money on the security of the vans. On the suggestion of Trade Services Ltd, Kane Products Ltd agreed to sell the vans to Trade Services Ltd who would sell them to Stoneleigh who would then allow Kane Products Ltd to have the vans on hire-purchase terms. Invoices were made out accordingly.

Mr Justice McNair held that the transactions of sale were a complete sham: no real sale was intended, no deposit was paid, and the vans never left the possession of Kane Products Ltd. It was done without the knowledge of Stoneleigh Finance Ltd who had warned Trade Services Ltd that Stoneleigh did not wish to enter into such transactions. The invoices were really bills of sale which, not being registered, were void (Companies Act, 1948, section 95 (c)), so that Stoneleigh had no title to the vans.

However, Stoneleigh contended that it had acquired an ostensible title which Kane Products and its liquidator were estopped from denying, seeing

that Stoneleigh was an innocent party. His lordship held that the course of dealing between Stoneleigh and Trade Services made it clear that Trade Services was Stoneleigh's agent, so that their knowledge of the true nature of the transaction could also be imputed to Stoneleigh, which was accordingly precluded from raising the estoppel. As it could establish no title to the vans, its claim against the liquidator for selling them must fail. (*The Times*, March 24th.)

### EARNINGS OF WHITE COLLAR WORKERS

THE annual inquiry carried out by the Ministry of Labour into the earnings of administrative, technical and clerical employees is now in its ninth year and a useful series of figures has been built up. This shows that in October 1963, earnings of male white collar workers averaged £22 2s a week, an increase of 4.8 per cent in the year, and of 22½ per cent since 1959. The corresponding figures for female workers were earnings of £9 2s 9d in October last, or an increase of 4 per cent in the year and just over 20 per cent in four years. The differences between average earnings of men and women are due much more to the different age structures, and the different types of work carried out, than to pay differentials.

Average weekly earnings of male manual workers rose by about 5½ per cent between October 1962 and October 1963. During the four years October 1959 to October 1963 the rise was 23½ per cent. Over the longer period, 1955 to 1963, the earnings of all manual workers increased by one-half and those of salaried employees by slightly more than one-half. There is no evidence here for the widely-held belief that in recent years the earnings of white collar workers have lagged behind those of manual workers.

### N.E.D.C. AND CONSULTANTS

THE decision of the National Economic Development Council to use management consultants as a way of improving this country's growth rate is to be generally welcomed. Anything which brings objectivity to investigation and the use of proven and scientific techniques to improve the quality of management in British trade and industry is bound to do good. It is also time that the barrier was broken down between the economists who are heavily represented on the staff of N.E.D.C. and other professional and semi-professional organizations. For example, it would be all to the good if the balance of payments problem which in 1964 is likely to owe a great deal to the continuing high level of imports were viewed from the standpoint of improving the efficiency of stockholding in industry.

It is important, however, that the use of professional advice in management should be carried out with the greatest care and it is equally important that the widest possible experience in all branches of management should be called in to help. Whatever may be the immediate decision, and it looks as though a

special investigation is to be made by a group of the larger management consultant firms into the re-equipment of industry with machine tools, in the long run a wide range of professional expertise should be employed. It would seem desirable that those with special knowledge of accountancy and even market research should be employed as well as those who have basically a particular expertise in the work study approach to management problems. It has been apparent for some time, notably in the popularity of American consulting firms in this country with some of the larger public companies in particular, that there is some danger that one specialism or another or the particular successful selling techniques employed by those who are able to use them may be carrying undue influence in the objective examination of management in this country.

In order to get the whole idea off the ground and something practical put in hand, the N.E.D.C. approach has much to recommend it, but it is to be hoped that this very wide question is receiving a great deal of detailed and thorough consideration so that a satisfactory long-term policy can be thrashed out.

### SALARIES OF ACADEMIC STAFF

THE National Incomes Commission in their third report published last week recommended changes in the rates of remuneration for academic staff in the universities. These involve raising the salaries of assistant lecturers within the scale £1,050 to £1,275; lecturers from £1,400 to £2,505; readers and senior lecturers with varying maxima up to £3,250; and professors to a minimum level of £3,400. All these rates apply to non-medical staff.

They recommend that these rates should come into operation from April 1st, 1964. The Commission also recommend that in the Colleges of Advanced Technology (the Government has already accepted the recommendations of the Committee on Higher Education that they should have university status) these salary grades should apply to them. The Commission consider that over the years there has been a decline in the position occupied by university salaries in the overall pattern of the national salary structure and that the consequences of this decline are already found in the relative unattractiveness of academic teaching work. They think that the greatest danger to the implementation of the programme of expansion of universities will be encountered in the next five years. Failure to implement the programme for want

#### Institute's Summer Courses

Members of The Institute of Chartered Accountants in England and Wales are reminded that the closing date for the receipt of applications for this year's Summer Courses is April 10th.

of adequate numbers of suitable teachers would be a discouraging setback. A deterioration in the present high standards of teaching in the universities caused by the recruitment of inferior material might be, in the commission's opinion, a disaster from which the universities would take a long time to recover.

The Commission was not prepared, however, to

accept the idea put forward by the Committee of Vice-Chancellors and Principals that university salaries should be given something of an edge over their competitors because, in their opinion, any immediate advantage given to the universities would be quickly lost as a result of parallel adjustments of salaries in other occupations.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 218

ONE of our regularly recurring problems derives from the calculation of maximum holdings of saleable goods in the departments. Our plump departmental accountant, normally a character of rather easy-going affability, is reduced to a harassed mental wreck each quarter when the figures are reviewed at top level. He emerges from the meeting almost gibbering. His condition being obviously undesirable for a responsible executive, action became necessary.

The problem didn't seem insoluble. After all, each department has its budget for purchases and a reasonably reliable forward estimate for its sales, so official determination of its maximum stock level should be a matter of routine. We, in Accounts, record the weekly movements and the variations, and the managing director scans the results. We ignore minor discrepancies (albeit) by a great effort of will-power, for our accounting assistants are liable to become excited about a smattering of small variations, and we highlight major overruns for the managing director. What could be simpler?

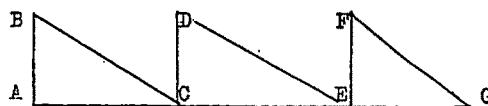
What, indeed? What should happen when the overruns are numerous and substantial and we have brought them consistently to the sales manager's notice? Has he not set those limits himself with knitted brows and stern warnings, so should he not maintain them? Like hell he should. Scotty's moss-trooper ancestors were driving cattle across the border for a couple of centuries, only a few gallops ahead of the halter of authority, and nothing short of a gallows will keep their lawless descendant within his own prescribed boundaries.

Sitting across the table from the managing director I listen to the departmental managers pleading extenuating circumstances, under Scotty's approving smile. The goods which overshot the mark were exceptionally good bargains which they just couldn't in all honesty pass up, they explain; the gross mark-up was really exceptional for spring fashion-buying;

the local demand was sensational owing to the unusual weather. (Any salesman worth his salt can always find an alibi in the weather by hook or by crook; usually by crook, I'm afraid.)

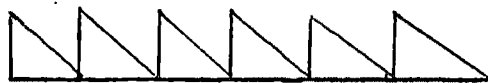
The pay-off thrown up for February was colossal, says Scotty smugly, our outraged departmental accountant almost faints in protest. The managing director sits there unmoved, impervious to logic of course, as all directors are when net profits are weighed in the balance against the inviolability of the budgets. Which is as it should be, perhaps. Anyhow he solves the problem by suggesting blandly that Accounts should recalculate revised stock maxima. (With grudging approval I note he doesn't stoop to 'maximums'.)

So the departmental accountant optimistically trots out his latest gimmick, the chart of the triangles. The first part shows large triangles, like this:



Here AB shows the high initial order, running down to low point C as sales diminish the stock, whereupon another high order brings stock level to D again. This, he explains, means overstocking, capital locked up, etc.

By contrast, the second part of the chart shows small triangles, like this:



This brilliant alternative system recommends smaller orders at more frequent intervals, entailing lower stocks, reduced cash outflow, improved floor-space . . . the D.A. was almost intoxicated with his own eloquence as the list went on.

The managers pounced on him like hounds on a fox. More paper-work, they snarled; more handling, more risk of 'sold-outs' and understocking, more orders unfilled, less quantity discounts, less respect from the supplier. . . . But the D.A. fought back fiercely and skin and hair flew in all directions.

Nobody mentions triangles nowadays in our office, unless they want to start trouble, and the departmental accountant's views on salesmen are unprintable.



# Reviews

## Laws of Business Management and the Executive Way of Life

(Second Edition). By GEORGE COPEMAN, PH.D. (Business Publications Ltd, London. 42s net.)

It is difficult to take seriously a book which gives the serious advice – 'Casual references to your Rolls, if indeed you have a Rolls, will not go amiss'. This sounds like Stephen Potter and water, and there are diluted traces of Professor Parkinson and Shepherd Mead in evidence as well. Big business, however, is no laughing matter for Dr Copeman who solemnly formulates enough ponderous laws to keep the feet of the ditheriest director, even if his head is in the Silver Clouds, firmly on the ground. The law of executive effectiveness is one typical deterrent to deviationary tendencies

'A major factor in determining the degree of an executive's effectiveness at his work is the ratio of his time spent on communications to time spent on individual creative work. For any particular executive working situation there is an optimum ratio. When the ratio falls below this optimum level, executive effectiveness will suffer from insufficient communication, and hence lack of co-ordination with others. When the ratio rises above this level, executive effectiveness will suffer from insufficient time being given to individual creative work.'

Having delivered ten such blockbusters, Dr Copeman embarks on a disquisition on the executive way of life or how to live within the aforesaid laws. He diagnoses the qualities the successful business man must possess, the philosophy he must acquire and the psychological tactics he must employ. If the observations are not very profound they are certainly to the point, and few readers, if they are honest with themselves, will fail to recognize some ridiculous situation in which they have participated or some absurd attitude which they have on occasion adopted.

## Who Owns Whom

(Continental Edition 1953-64). (O. W. Roskill & Co (Reports) Ltd, London. £8 post free.)

It would be wrong to suppose, the introduction to this near cosmopolitan commercial guide notes, that the United Kingdom's interest in the European Common Market has substantially decreased since the breakdown of the Brussels talks at the beginning of last year. International trade is still developing despite tariff and other barriers and, in the belief that it will continue to do so in breadth as well as in depth, the compilers have in this edition extended their range to include the Scandinavian countries and Switzerland. Next year it is hoped to add Austria, Finland, Portugal and Spain to the growing list.

Each country has two main sections, the first listing

subsidiaries alphabetically on the left with the names of the parents opposite, and the second listing the parent companies alphabetically with the names of their principal subsidiaries tucked underneath like a mother hen with her chicks. Coloured sheets separate the countries. This device makes for quick reference and, as before, type, paper and printing are all that could be desired.

## Short Audit Cases

By BEN B. BARR, C.P.A., and ROBERT L. GRINAKER, C.P.A. (Richard D. Irwin, Inc., Homewood, Illinois. \$4.75 net.)

Given the permanent file and set of working papers compiled at the audit of the imaginary Valley Publishing Company for the year 1965, the student is required with the aid of a preliminary trial balance and additional information, including bank 'certificates' and other verifications, to complete the corresponding working papers for the 1966 audit. This excellent practical exercise emanates from America but, auditing techniques being universal, may be undertaken by any accountancy student who understands English and wishes to practice or perfect the too often neglected art of preparing audit schedules which are both comprehensive and comprehensible.

## Cartel Law of the European Economic Community

By Frederick Honig, William J. Brown, M.C., Dr jur. Alfred Gleiss, and Dr jur. Martin Hirsch. (Butterworths & Co (Publishers) Ltd, London 35s. Postage 1s 8d extra.)

Restrictive trade practices are very much in the news at present, and while the likelihood of Britain's entry into the European Economic Community has receded for the time being, eventual entry may be regarded as more than a possibility. In any case, trade with the Community is clearly going to increase, and the ties between Britain and West Europe grow stronger.

This book is based on *EWG-Kartellrecht* by Drs Gleiss and Hirsch. It was begun in 1962 when Britain's entry into the E.E.C. seemed a fairly even chance. The disappointment on that score came before the book was finished and the authors have been able to deal in it with the new situation. The book deals with the law as at May 1st, 1963.

It is an interesting situation that the anti-cartel laws of the E.E.C. can forbid what the individual municipal laws permit. These and other matters are closely examined by the authors. The British legislation against restrictive practices is also dealt with.

## SHORTER NOTICE

THE ECONOMICS OF WELFARE, fourth edition. By Professor A. C. Pigou. (Papermac 38. Macmillan, London. 30s net.) This reprint of one of the classics in economic literature is to be welcomed in the hope that



many students, who feel that there is nothing to be learned from the past about modern economic issues, will realize just how old-fashioned some so-called modern thinking on welfare economics really is.

#### RECENT PUBLICATIONS

LEADING CASES ON THE LAW OF RATING, by Edward Jackson, M.A.(CANTAB.), B.SC.(ECON.)(LOND.). xxv+342 pp. 10×6½. 55s. Postage 2s 3d extra. Butterworth & Co (Publishers) Ltd, London.

CLERICAL METHODS FOR MANAGERS, by J. B. C. Miller-Bakewell, M.A., A.I.S., A.C.W.A. vi+224 pp. 8×5½. Card covers. 20s net. Pergamon Press, Headington Hill Hall, Oxford.

THE LAW OF STAMP DUTIES, by J. G. Monroe, B.A. Supplement to the third edition. 28 pp. 8½×5½. Card covers. 7s 6d. Sweet & Maxwell Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Limited, The City Library, 151 Strand, London WC2.

## Finance and Commerce

### With the Accounts

THE reprint this week is provided by the accounts to September 1963 of The Messina (Transvaal) Development Co Ltd, one of the leading copper mining companies, incorporated in the Republic of South Africa. With these accounts, Commander H. F. P. Grenfell, the chairman, adopts a new line (for his company) of giving a 'statement with the accounts'.

His previous custom was to give latest information and comment on points of interest and future prospects at the annual meeting, but he feels that 'members would appreciate being able to receive these amplifying remarks rather earlier'. This, he says, follows the procedure being adopted by many companies today.

It is, of course, a welcome development long advocated in this column which leaves room for only one observation: 'many companies', should be 'most companies'. Messina is an outstanding case for giving 'statement with the accounts'. Its history goes back to a company of the same name registered in London in 1905 and a very substantial interest in it is still held here. As a South African company, it is holding its fourteenth annual meeting in Johannesburg and one can hardly imagine that United Kingdom shareholders will find it convenient to attend. Thus a 'statement with the accounts' makes a far better job of the annual reporting.

### Competition

Copper and its production is facing competition from other metals, particularly aluminium, and price – as in any such situation – is a vital factor. Effort has been made to control price by direct contact between producers and consumers so that the amount of copper actually passing through the London Metal Exchange is only a small proportion of the whole.

Commander Grenfell points out that the main

feature of 1963 was stability in the price. Support initiated in the previous year by a number of major producers, a year when world consumption was 'disappointingly low', allied with output restriction, succeeded in maintaining at £234 a ton the floor price for cash copper which had prevailed since January 1962. The producer/consumer link, he says, undoubtedly played its part in the success of the policy.

Both sides of the industry are now co-operating to find new and expanded uses for copper, and Commander Grenfell expresses his firm belief in the metal's growth potential with world living standards rising. World consumption is, in fact, now showing a 'welcome increase' after the 'disappointingly low' 1962 level and the London Metal Exchange price is now lifting above the producer/consumer price.

### Higher Price

To restrain the upward movement and keep it in bounds, the large Rhodesian producers made available considerable tonnages to meet cash sales and gave notice of their intention to resume operations at full capacity as soon as possible. They also reinforced their stabilization policy by informing customers with long-term contracts that they would be allowed to price their purchases at £236 a ton or London Metal Exchange settlement price, whichever was lower. Major American producers followed suit and Messina took similar action. More recently the price has been raised to £244.

The next few months, says Commander Grenfell, will show whether these measures will succeed in stabilizing the price; at this stage he hesitates to forecast the result. On one side, the rate of growth and consumption, and on the other, the speed with which production can be raised, will be decisive factors in determining whether prices can be held at present levels. Any assessment of the future must also allow for possible production interruptions through labour troubles and the effect of inflationary pressures on operating costs.

But the statistical position, it is maintained in other quarters, is far more complex than this. Some claim that £244 a ton is too low a price at which to aim for stability. Much may depend on whether consumers find stocks running short before the promised increased production makes its appearance. Govern-



April 4th, 1964

THE  
ACCOUNTANT

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THE MESSINA (TRANSVAAL) DEVELOPMENT COMPANY, LIMITED  
(Incorporated in the Republic of South Africa)  
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT  
for the year ended 30th September, 1963

1962 R	1962 R	1962 R	1962 R
7,426,068	WORKING AND SUNDRY EXPENDITURE (Note 8) .	10,926,140	COPPER REALISATION (Note 8) .
		183,077	SUNDRY REVENUE .
62,175	PROJECTS ABANDONED: Expenditure written off .	44,588	INTEREST .
		46,843	DIVIDENDS .
			1,266
	INTEREST:		
179,661	Loan Stock .	134,703	
322,483	Bank Overdraft .	296,578	
		431,281	
10,253	LOSS ON DISPOSAL OF CERTAIN FIXED ASSETS .	22,422	
3,200,008	PROFIT FOR THE YEAR BEFORE TAXATION .	2,738,658	
<u>R11,200,648</u>		<u>R11,098,438</u>	
		3,200,008	PROFIT FOR THE YEAR BEFORE TAXATION .
			2,738,658
	PROVISION FOR TAXATION:		
354,846	South African and United Kingdom Taxation together with State's share of profit over the Messina Lease Area Less: Specific Allowances resulting from change to P.A.T.E. system of Taxation .	435,294	
185,979	Less: Provision no longer required .	255,294	
168,867		255,294	
3,031,141	PROFIT FOR THE YEAR AFTER TAXATION .	255,294	
<u>R3,200,008</u>		<u>2,483,364</u>	
		<u>R3,200,008</u>	
1,639,283	TRANSFER TO CAPITAL RESERVE .	3,031,141	PROFIT FOR THE YEAR AFTER TAXATION .
191,433	Less: Minority shareholders' proportion thereof .	614,696	Less: Minority shareholders' proportion thereof .
1,447,850		<u>2,416,445</u>	<u>1,939,712</u>
		31,739	PROFIT UNAPPROPRIATED AT 30th SEPTEMBER, 1962 .
			43,815
	DIVIDENDS:		
394,000	Dividend No. 26 of 2c per Stock Unit .	18,546	
591,000	Provision for Dividend No. 27 of 3c per Stock Unit .	9,935	
		492,500	
43,815	PROFIT UNAPPROPRIATED CARRIED FORWARD .	22,291	
			492,500
		<u>R2,476,665</u>	
		<u>R2,512,074</u>	
			CAPITAL PROFIT:
			Sale of Investments .
			Redemption of Loan Stock .
			35,000
			1,047
			36,047
			<u>R2,512,074</u>

ment attitudes, notably in Chile and Northern Rhodesia, must be taken into account. Price to them means royalty and tax income.

### Technicalities

One extremely valuable part of this report, as it is with a large number of mining companies, is the report from the general manager. Here the close detail of mining and subsequent operations is dissected under the separate mine headings: the shaft sinking, the proving of ore reserves, ore production, the figures for the working of the concentrate plants and the concentrator results, the analysis of costs and the expenditure on mining assets. These statistics run to eight pages of the general manager's report.

Commander Grenfell, referring to a major change in the presentation of the general manager's report, says that with this statistical detail, an attempt has

been made to cater for the 'more technically minded'. For the 'average reader', there is a summary of operating results.

The dividend payment this time is worth a line of explanation. South Africa introduced P.A.Y.E. during the year and as a result the group's profits did not bear taxation at the full rate throughout the year. It was therefore decided that the year's dividends should be paid out of taxed profits made during the year ended September 1960 in order that overseas shareholders would be able to obtain full double taxation relief.

To give effect to this, R492,500 have been transferred from general reserve to profit and loss appropriation and the whole of the profits, including profits from sale of investments and loan stock redemption, have been transferred to capital reserve. (The currency of these accounts is, of course, the South African Rand (£1=R2)).

## THE MESSINA (TRANSCAAL) DEVELOPMENT COMPANY, LIMITED (Incorporated in the Republic of South Africa) AND SUBSIDIARY COMPANIES

### NOTES ON THE ACCOUNTS FOR THE YEAR ENDED 30th SEPTEMBER, 1963

- 1 The Holding Company's Capital Reserve of R9,536,238 includes provision for losses to 30th September, 1963, of certain Subsidiary Companies amounting to R450,300 (1962 R246,200).
- 2 The 6½ per cent unsecured sterling loan stock is, unless previously repaid, redeemable in sterling at 101 per cent plus accrued interest. An amount of at least R500,000 is repayable during the year ending 30th September, 1964, and the balance on 30th September, 1965.
- 3 Included in mining assets are items situated on leasehold property.
- 4 Mining Assets—Holding Company:

	1963 R	1962 R
Property and mining claims—at cost, less amounts written off . . . . .	571,195	571,697
Shafts—at cost . . . . .	1,256,988	1,168,995
Buildings, machinery, vehicles and equipment—at cost, less sales . . . . .	7,949,459	7,745,704
Prospecting—at cost . . . . .	533,413	430,384
Pre-production administration expenditure . . . . .	235,637	234,276
	<u>R10,546,692</u>	<u>R10,151,056</u>

- 5 Mining Assets—Group:

	1963 R	1962 R
Property and mining claims—at cost, less amounts written off . . . . .	1,049,537	1,047,505
Shafts—at cost . . . . .	2,161,712	1,984,307
Buildings, machinery, vehicles and equipment—at cost, less sales . . . . .	19,817,155	19,449,641
Prospecting—at cost . . . . .	1,864,025	1,763,415
Mangula Oxide Ore Cap—expenditure to date . . . . .	576,206	297,394
Pre-production administration expenditure . . . . .	1,182,943	1,182,282
	<u>R26,651,578</u>	<u>R25,724,544</u>

- 6 Investments:

	HOLDING COMPANY 1963 R	1962 R	GROUP 1963 R	1962 R
Quoted on recognised stock exchanges . . . . .	—	—	5,304	5,304
Unquoted . . . . .	1,725,000	1,925,000	1,727,000	1,927,000
	<u>R1,725,000</u>	<u>R1,925,000</u>	<u>R1,732,304</u>	<u>R1,932,304</u>
Market Value:				
Quoted Shares . . . . .	—	—	6,030	6,687
Directors' Valuation:				
Unquoted Shares . . . . .	1,300,000	1,943,000	1,302,000	1,945,000
	<u>R1,300,000</u>	<u>R1,943,000</u>	<u>R1,308,030</u>	<u>R1,951,687</u>

- 7 Included in debtors is an amount of R615,000 (1962 R815,000) of which R200,000 is receivable on 31st December, 1963 and the balance on 31st December, 1964.
- 8 In previous years smelting and refining, and transport charges were deducted from Copper Realisation. These charges are now included in Working Expenditure and an appropriate adjustment has been made in the comparative figures for 1962.
- 9 In addition to the fees and additional remuneration shown in the Holding Company's Profit and Loss Account, certain Directors received:—

	1963 R	1962 R
(a) For their services other than as directors . . . . .	8,800	8,800
(b) For their services other than as directors from subsidiary companies . . . . .	19,100	18,800
(c) Directors' fees from subsidiary companies . . . . .	67,058	62,852

- 10 There are commitments outstanding for the supply and erection of plant and buildings, estimated at R13,921 (1962 R8,851) Group R13,921 (1962 R21,851).
- 11 Assets and liabilities of the company situated in the United Kingdom and Southern Rhodesia have for conversion purposes been taken at R2 equal to £1 sterling at 30th September, 1963.
- 12 In accordance with the normal practice of the Group, no account has been taken of depreciation of mining assets or exhaustion of ore, and replacements of mining assets have been charged to working expenditure.

## CITY NOTES

**S**UPPORTED by a good flow of company news, the equity markets have been able to withstand the effects of price erosion through the constant dribble of pre-Budget and pre-Election selling.

The majority of industrial company results are encouraging, with dividends being raised and scrip issues announced. Sometimes one is tempted towards the view that higher dividends and scrip issues are being inspired more by circumstances rather than the company's results themselves.

Be that as it may, higher dividends are underpinning share prices to a fair degree. The extent of support in the gilt-edged market and for industrial prior charge stocks, however, is evidence enough that investment thinking is now defensive rather than offensive.

Higher ordinary share dividends may be dissuading selling to some degree but they are not necessarily attracting equity buying support. That is understandable under current conditions, but if present political doubts prove groundless there is undoubtedly a reserve of strength in the equity market. The political position, however, needs clarification before that reserve is going to be tapped.

**I**NVESTMENT conditions always colour the new capital-raising market. The current fashion of raising new funds through convertible loan stock

offers is evidence of the way in which the colouring works.

At a time when there are short-term doubts of the way of the equity market and an investment trend towards industrial prior charges, convertible stocks offer a nice balance between current high yield on a fixed interest security and the potential of longer-term growth through the exercise of the conversion option anything up to five years ahead.

Even should the conversion option come to grief then the high coupon on the loan stock should ensure capital safety.

**H**AVING subsidiaries which end their financial years at the half-way mark in the parent company's year is not usually an ideal system. But in the case of Debenhams, the stores group, it has its advantages. Debenhams' financial year runs to July 31st, but a number of subsidiaries end their year on the traditional drapery date of January 31st.

In their interim statement, therefore, the directors of Debenhams, in announcing an increase in the interim dividend from 7d to 7½d per share, were able to say that subsidiaries ending their years on January 31st had shown higher sales and profits and that, all being well, group profits should show a 7½ per cent rise in the year to July 31st.

## RATES AND PRICES

*Closing prices, Wednesday, April 1st, 1964*

**Tax Reserve Certificates:** interest rate 28.3.64 2½%

Bank Rate				Money Rates			
July 26, 1961	7%	Mar. 22, 1962	5%	Day to day	3½-4½%	<b>Bank Bills</b>	
Oct. 5, 1961	6½%	April 26, 1962	4½%	7 days	3½-4½%	2 months	4½-4 11/16%
Nov. 2, 1961	6%	Jan. 3, 1963	4%	<b>Fine Trade Bills</b>		3 months	4½-4 11/16%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	3 months	5½-6%	4 months	4½-4 11/16%
				4 months	5½-6%	6 months	4½-4 11/16%
				6 months	6-7%		
Treasury Bills				Foreign Exchanges			
Jan. 24	£3 14s	3.81d%	Feb. 28	£4 6s	1.66d%	New York	2.79 11/16
Jan. 31	£3 15s	2.01d%	Mar. 6	£4 6s	0.42d%	Montreal	3.02 11/16
Feb. 7	£3 15s	5.97d%	Mar. 13	£4 5s	11.85d%	Amsterdam	10.09 11/16
Feb. 14	£3 15s	6.84d%	Mar. 20	£4 5s	11.94d%	Brussels	139.40 11/16
Feb. 21	£3 15s	8.80d%	March 26	£4 6s	0.41d%	Copenhagen	19.29 11/16
						Frankfurt	11.12 11/16
						Milan	1748 11/16
						Oslo	20.01
						Paris	13.71 7/16
						Zürich	12.11 11/16
Gilt-edged							
<i>As well as the usual prices quoted at the close of business on press day, we also give below the quarter-end prices.</i>							
March 31st, 1964				March 31st, 1964			
Consols 4% .. ..	66 1/2	66 1/2	Funding 3% 59-69 .. ..	90 1/2	90 1/2	April 1st, 1964	90 1/2
Consols 2½% .. ..	42 1/2	42 1/2	Savings 3% 60-70 .. ..	87 1/8	87 1/8		87 1/8
Conversion 6% 1972 ..	104 1/8	105	Savings 3% 65-75 .. ..	79 1/8	79 1/8		80
Conversion 5½% 1974 ..	100 1/8	100 1/8	Savings 2½% 64-67 .. ..	93 1/8	93 1/8		93 1/8
Conversion 5% 1971 ..	99 1/8	99 1/8	Treasury 5½% 2008-12 ..	93 1/8	93 1/8		93 1/8
Conversion 3½% 1969 ..	92 1/8	92 1/8	Treasury 5% 86-89 .. ..	89 1/8	89 1/8		89 1/8
Conversion 3½% .. ..	58 1/8	58 1/8	Treasury 3½% 77-80 .. ..	78 1/8	78 1/8		78 1/8
Funding 5½% 82-84 ..	98 1/8	98 1/8	Treasury 3½% 79-81 .. ..	77 1/8	77 1/8		77 1/8
Funding 4% 60-90 .. ..	93 1/8	93 1/8	Treasury 2½% .. ..	42 1/8	42 1/8		42 1/8
Funding 3½% 99-04 ..	66 1/8	66 1/8	Victory 4% .. ..	96 1/8	96 1/8		96 1/8
Funding 3% 66-68 .. ..	91 1/8	91 1/8	War Loan 3½% .. ..	59 1/8	59 1/8		59 1/8

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Stimulating Plant Replacement

SIR, — It seems strange to me that the authors in the first part of their article 'Stimulating Plant Replacement' (March 14th issue), admit that the quality rather than the quantity of the investment is the major determinant of growth; they go on in the second part a week later to advocate an obsolescence duty which falls merely on aged machinery, without regard as to whether the new machinery is an improvement on the old.

Any obsolescence duty would best be imposed in cases where a manufacturer uses old machinery when more efficient machinery is available. Perhaps a scheme worth considering would be if a maker of a machine could obtain, from the trade association concerned, a certificate stating that his machine superseded other specified machines. Then manufacturers using such superseded machines over the specified number of years would bear the duty.

Yours faithfully,

M. P. J. JAY, A.C.A.

*Sunbury-on-Thames, Middlesex.*

## Organization Charts

SIR, — I was interested in the article on 'Organization Charts' by Mr F. R. Goodey, F.C.W.A., F.C.C.S. (March 21st issue). Some of what he says, however, is, I believe, based on a number of dangerous premises.

First, he suggests that the organization chart shows lines of communication. The belief that all communication must travel along the organization lines has been proved to be a major defect to effective communication. Within the limits of their authority, staff should be able to communicate with and receive communications from anywhere in the organization. They then have a responsibility to keep their own superiors informed, as necessary.

Secondly, Mr Goodey suggests that the organization chart shows planes of responsibility. This ignores completely any differentiation between staff and line responsibility. In a dynamic organization there will be staff positions which, if drawn on an organization chart, would appear to be higher than line positions. This misconception of the organization

chart has involved many individuals in unnecessary status wrangling.

Thirdly, Mr Goodey would seem to imply that vertical organization is to be preferred to a broad span of control. There are, of course, many works on communication theory and organization theory which deal with this matter at very great length. Also, thought on group motivation is changing our thinking on organization patterns. Whilst I appreciate that Mr Goodey in a brief article cannot cover these points, his over-simplification has, I feel, dangers to the uninitiated.

Having been so critical may I also commend Mr Goodey on the points he makes on management succession and detailed terms of reference for all levels of management. I am convinced that there are many organizations which can benefit from study in these areas.

Yours faithfully,

R. IAN TRICKER, A.C.A., F.C.W.A.

*Coventry.*

## Growth of the Institute

SIR, — I feel that the Institute is not making the correct approach to the problem of office accommodation. The following points arise:

- (1) The site of the present building is too small to provide adequate accommodation in the future, if the present expansion continues.
- (2) Apart from a few senior officials, there is no reason why accommodation in central London is necessary for staff. The bulk of routine work could be carried out in a modern office block in the suburbs.
- (3) There is a lack of accommodation in the present building for members, group meetings, etc.
- (4) If at all possible, the present building should be preserved, as it is not completely without architectural merit. Any attempt to modernize could lead to a monstrous hybrid of styles.

As a solution, why not move all office accommodation to new premises in the country or suburbs, preferably to a freehold site with room for expansion. The existing premises, retaining the Library, Council chamber and Secretary's office, could be converted into a members' club, connection with the administrative offices being established by a rented telephone line.

This would admittedly be an expensive solution, in so far as the capital outlay required at present is concerned. In the long run, however, it would prove cheaper, of more benefit to members and prevent the same accommodation problem from raising its ugly head in fifteen to twenty years' time.

Yours faithfully,

*Hove, Sussex.* JOHN W. MITCHELL, A.C.A.

**FOR STUDENTS****PREPARATION OF CASH-FLOW STATEMENTS**

**V**ARIOUS types of statement can be prepared to inform management of changes in assets and liabilities (i.e. in the deployment of funds) as between one accounting date and another. These are variously named, for example, 'movement of funds statement' and 'statement of sources and application of cash'. As with most management accounting reports, it is the needs of management which will to a large extent govern the form and layout of the statement.

**Cash and the Balance Sheet**

It is instructive to consider the relationship of 'cash' to the other assets and liabilities and to the figures in the profit and loss account, and hence to the profits. Not all cash transactions affect the revenue account. For example, the payment of a liability already set up in the books or the conversion of a book debt into cash, provided no discounts are given, does no more than alter the form in which current assets are held, their net total (and hence the profit) being unaffected.

On the other hand, many cash movements directly affect the figures in the profit and loss account, as, for

example, the payment of wages or the making of cash sales. A third class of cash movements can be distinguished, namely, those which cover more than one accounting period and thus affect *both* profit and loss account and balance sheet. The payment of local rates in December for a six-monthly period ending on the succeeding March 31st, provides an example. If the accounting year ends on December 31st, one-half of the payment goes to the profit and loss account, the other half being merely a transfer from one current asset 'cash', to another 'prepayments'.

Purchases of material for resale provide a further example, stock taking having the effect of ascertaining the prepayment for 'purchases of material'.

It is therefore apparent that all cash movements have an effect either on the items in the balance sheet or the balance of the profit and loss account or indeed on both. Cash is such an important item that it is frequently desirable to show its movements under these headings, and thus to disclose by how much changes in the amount of cash held are due to profits and by how much to changes in the form in which assets are held.

*Illustration A***Purchases Account**

Dec. 31st	Sundry creditors	..	..	..	£	6,000	Dec. 31st	Trading account	..	..	..	£	6,000
						<u>6,000</u>							<u>6,000</u>

**Sundry Creditors Account**

Dec. 31st	Cash	..	..	..	..	£	5,920	Jan. 1st	Balance brought forward	..	..	£	700
	Balance carried forward	..	..	..	..	780	Dec. 31st	Purchases	..	..	..	£	6,000
						<u>£6,700</u>							<u>£6,700</u>

**Stock Account**

Jan. 1st	Balance	..	..	..	..	£	950	Jan. 1st	Trading account	..	..	..	£	950
						<u>950</u>							<u>950</u>	
Dec. 31st	Trading account	..	..	..	..	1,100								

**Trading Account (Extract)**

Opening stock	..	..	..	..	..	£	950
Purchases	..	..	..	..	..	6,000	
						<u>6,950</u>	
Less closing stock	..	..	..	..	..	1,100	
						<u>5,850</u>	

**Reconciliation of Cash Paid with Trading Account Charge**

Per trading account	..	..	..	..	..	..	£	5,850
Stock increase, included in purchases, but adjusted in trading account	..	..	..	..	..	..		
(£1,100—£950)	..	..	..	..	..	..	150	
							<u>£6,000</u>	
Increase in creditors, included in purchases but not yet in cash paid	..	..	..	..	..	..		
(£780—£700)	..	..	..	..	..	..	80	
							<u>£5,920</u>	
Cash paid	..	..	..	..	..	..		

## Illustration B

## Summarized Balance Sheets (£000)

	Jan. 1st	Dec. 31st		Jan. 1st	Dec. 31st
Share capital .. .. .	£ 225	£ 275	Buildings .. .. .	£ 90	£ 110
Share premium account .. .. .	—	25	Plant .. .. .	255	290
General reserve .. .. .	150	170	Less Depreciation .. .. .	110	141
Profit and loss account .. .. .	15	18		145	149
Future tax .. .. .	21	32	Investment .. .. .	—	20
Current liabilities .. .. .	76	54	Stock .. .. .	157	149
Current taxation .. .. .	18	20	Debtors .. .. .	94	110
Dividend .. .. .	12	16	Bank .. .. .	31	72
	<u>£517</u>	<u>£610</u>		<u>£517</u>	<u>£610</u>

## Summarized Profit and Loss Account

Year ended December 31st (£000)

Taxation .. .. .	£ 32	Profit for the year (after depreciation £31) .. .. .	£ 70
General reserve .. .. .	20	Previous years taxation adjustment .. .. .	1
Dividend recommended .. .. .	16	Balance brought forward .. .. .	15
Balance carried forward .. .. .	18		
	<u>£86</u>		<u>£86</u>

## Depreciation

The purchase of a fixed asset for cash falls into the class of transactions which of itself does not affect the profit and loss account. Nevertheless, a provision for depreciation must be made in each succeeding period. The purpose of this provision is to prevent the overstatement of the amount available for distribution and thus conserve the funds of the business for ultimate replacement of the asset. This is purely an adjustment internal to the firm as between the fixed and current asset sections of the balance sheet; no cash is paid out unless and until the depreciation provisions are invested outside the business, as in the depreciation fund systems.

From the point of view of the cash flow, the amount which revenue makes available to the general funds of the firm is therefore the total of net profit and depreciation less, of course, taxation and net dividends, both of which are appropriations of revenue profits.

## An Example

It is now possible to show an example of how a suitable form of statement of sources and disposal of funds may be prepared from balance sheet and profit and loss account. This is done in two stages, illustrated in Statements 1 and 2 below.

It will be remembered that, when dealing with 'incomplete records', it is necessary to adjust the opening and closing balance sheet items (stock, debtors, creditors etc.) on the cash payments and receipts disclosed by the cash account, so as to arrive at the revenue figures on an accruals basis.

The converse, of course, applies. If we adjust opening and closing stock, debtors and creditors on the revenue figures disclosed in the profit and loss account, the result is the actual movement of cash.

The preceding illustration A makes this clear.

In preparing the statement of sources and application of funds, the assets and liabilities as at successive accounting dates are compared. The statement which emerges, though arithmetically useful, does not give a complete and helpful picture and may be likened to a trial balance which is uninformative in itself but from which the accounts and balance sheet are, in due form, prepared. (See illustration B.)

The first stage is to tabulate the balance sheet changes as follows:

Statement 1:	Increase	Decrease
Assets:	£	£
Buildings (3) .. .. .	20	
Plant (2) .. .. .	4	
Investment (3) .. .. .	20	
Stock (3) .. .. .		8
Debtors (3) .. .. .	16	
Bank (2) .. .. .	41	
	<u>101</u>	
	8	8
Net Increase .. .. .	<u>£93</u>	

	Increase	Decrease
Creditors etc.	£	£
Share capital (3) .. .. .	50	
Share premium account (3) .. .. .	25	
General reserve (2) .. .. .	20	
Profit and loss account (2) .. .. .	3	
Future taxation (2) .. .. .	11	
Current liabilities (3) .. .. .		22
Current taxation (2) .. .. .	2	
Dividend (2) .. .. .	4	
	<u>115</u>	
	22	22
Net Increase .. .. .	<u>£93</u>	

(The figures in brackets refer to the statement to which the figure is transferred).



Although statement 1 satisfactorily demonstrates the arithmetical accuracy of the figures, certain adjustments must be made if the final statement is to be of maximum assistance to management.

These should have the following aims:

- (i) incorporating the net profit in the statement so that the revenue cash flow may be clearly seen;
- (ii) disclosing the total expenditure on new assets for comparison with any new capital moneys received;
- (iii) disclosing the actual payments for dividends and taxation as deductions from profits;
- (iv) disclosing the depreciation charge, as an important item in the cash flow;
- (v) showing both the opening and closing balances at bank so that the significance of the change in this important asset can be clearly seen;
- (vi) preparing the statement in as simple a manner possible, consistent with accuracy, so that all important changes are clearly shown.

The following adjustments carry out these principles. It will be observed that the figures are self balancing so that if properly carried out the final statement will agree.

#### Statement 2 (£,000)

	Source	Application
		£
(a) Plant		
Increase per statement 1		4
Add depreciation per profit and loss account	£31	31
		<u>35</u>
Expenditure (3)		£35
(b) Bank		£
Increase per statement 1		41
Opening balance	£31	31
		<u>72</u>
Closing balance (3)		£72
(c) Dividend	£	£
Increase per statement 1		(Cr) 4
Recommendation per profit and loss account	16	(Dr) 16
		<u>12</u>
Actual payment (3)		£12
(d) Taxation		£
Future: Increase per statement 1		(Cr) 11
Charge per profit and loss account	32	(Dr) 32
		<u>21</u>
Current: Increase per statement 1		(Cr) 2
		<u>19</u>
Per profit and loss account	(Cr) 1	(Cr) 1
		<u>18</u>
Actual payment (3)		£18

(e) General Reserve		£
Increase per statement 1		(Cr) 20
Per profit and loss account	20	(Dr) 20
		<u>—</u>
(f) Profit and Loss Account		£
Increase per statement 1	3	3
Profit for the year (3)	£70	<u>70</u>

#### Statement 3

##### MOVEMENT OF FUNDS STATEMENT

Year ended December 31st, 19—

(£,000)

	£	£	£
Bank balance January 1st (2)	..	..	31
Sources:			
Profit for the year (2)	..	..	70
Less: Taxation (2)	..	..	18
Dividend (2)	..	..	12
			<u>30</u>
			40
Depreciation (2)	..	..	31
			<u>71</u>
New Share Issue (£50 + £25) (1)	..	..	75
Reduction in stock (1)	..	..	8
			<u>185</u>

#### Applications:

Reduction in creditors (1)	..	..	22
Increase in debtors (1)	..	..	16
Expenditure on fixed assets			
Buildings (1)	..	..	20
Plant (2)	..	..	35
Investment (1)	..	..	20
			<u>75</u>
			113
Bank balance December 31st (2)	..	..	<u>£72</u>

#### Conclusions

(i) As the expenditure on fixed assets exactly equals the proceeds of the new share issue, the increase in the bank balance must arise from retained profits.

(ii) The retained profits of £71,000 are represented by the following changes in current assets:

	£
Increase in debtors	16,000
Reduction in creditors	22,000
	<u>38,000</u>
Less reduction in stock	8,000
	<u>30,000</u>
Increase in bank balance	41,000
	<u>£71,000</u>

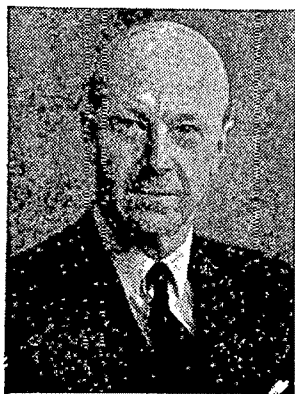
# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

## ANNUAL GENERAL MEETING

The annual general meeting of The Institute of Chartered Accountants of Scotland was held in Edinburgh on March 25th. The President, Mr W. L. Milligan, B.A., C.A., J.P., was in the chair.

### PRESIDENTIAL ADDRESS

Moving the adoption of the report of the Council for the year 1963-64, the President said:



Mr W. L. Milligan

differing geographical areas and in widely differing jobs. I have found these meetings both interesting and instructive. One thing about them which has greatly impressed me is the extent to which management accounting has come into the forefront of almost every discussion.

'Management accounting is something which affects - or should affect - every member of our Institute in one form or another. It is evident that it concerns the member in industry whose task is to service the day-to-day needs of management. But it also concerns the member in practice: whether he is auditor or financial adviser, he cannot perform his role effectively without paying some attention to management accounting - indeed, management accounting may, I feel, soon be accepted as just as much part of the practising accountant's "bread and butter" as auditing and taxation have been in the past.

'The move towards giving increased attention to management accounting has been marked during recent months by the announcement of the plan for setting up a Joint Diploma in Management Accounting Services, and also by the setting up of an Institute committee to consider how the Institute can help members to increase their knowledge of the subject, either by the provision of courses, or in other ways. The Joint Diploma is designed for the few: the courses, I hope, will be for the many.

'These activities will inevitably lead to closer definitions of the field of management accounting and clearer recognition of the degrees of specialization appropriate to it. When this is done, some of us may find that we knew more about management accounting than we realized, while others may find that we have more to learn than we had supposed. One thing is, however, quite certain: that is, that the members of our Institute must be effectively equipped to deal efficiently with the situation at the particular level of specialization they claim to have attained.

'In order to achieve this result - and it is vital to the future of the profession that we should do so - there will

'You will have seen that the report is in a new form. It is introduced for the first time by a foreword by the President; accordingly, I do not need to say much about it today. I would, however, like to take this opportunity of making a few brief personal remarks.

### Management Accounting

'The President of this Institute has to travel a good deal during his year of office. In so doing he meets many members of the profession in widely

come the need for integration of the study for this specialization with the normal training which begins with the start of a chartered accountant apprenticeship.

'Can everything necessary be learned during the period of apprenticeship? What should our attitude be towards post-qualifying specializations? These are among the many questions which our new Committee on Education and Training will have to consider.

'The speed of development in management techniques is considerable and it is idle to think in terms of training apprentices for the conditions within the profession which obtained even ten years ago.

### Automatic Data Processing

'One aspect of these new developments to which I would like to refer particularly concerns A.D.P. - automatic data processing. The implications of A.D.P. for the accountant in practice are rapidly becoming almost as important as for the accountant in industry.

'As proof of this statement I would mention that, according to *Computer Survey*, between December 31st, 1962, and December 31st, 1963, the number of computers in the United Kingdom increased from 566 to 751, or by 32.6 per cent. Furthermore, a study of the applications for which British-built computers were used between September 1962 and September 1963, showed that accounting, payroll and bank accounting applications of computers increased by 67.7 per cent. These applications represented 60.5 per cent of all applications of British-built computers.

'It may be of interest to add that by December 1954, there were eight British-built computers delivered. By December 1963, this number which, of course, includes those exported, had risen to 612 and there were a further 141 on order.

'Our computer population in the United Kingdom may be proportionately less than that of many other countries, but even so the accountant - including the auditor - of today will not be able for much longer to regard A.D.P. as something for tomorrow and to feel that he can pass the responsibility to the next generation. He must realize that the introduction of a computer means - apart from many other things - a complete reappraisal of the internal control system. This fact alone would justify the attention which is being paid to the question whether to audit through, or round, the computer.

### Encouraging Factors

'We have many problems yet to solve in the fields of which I have spoken. The general awareness of this fact amongst our members, and the evidence of a widespread determination to see that the problems are solved, are most encouraging factors in the situation.

'As an Institute we cannot stand still: not to go forward would, in effect, be to go backwards and to lose our place in the accountancy world. To me - and I know to all of you - this would be unthinkable. We must see to it that in the future, as in the past, our Institute's membership, though smaller than those of several other accountancy bodies, continues to be second to none in quality.'

The accounts of the Institute for 1963 and the annual report of the Council were adopted.

### OFFICE BEARERS

As announced in 'Weekly Notes' on another page, Mr J. W. Dallachy, M.A., C.A. (Glasgow), was declared elected as President and Professor Robert Browning,

C.B.E., M.A., LL.B., C.A. (Glasgow), as Vice-President for 1964-65.

Members of the Council for 1964-65 were elected as follows:

*Members practising in Scotland:* Mr James M. Cowie, B.L. (Glasgow); Mr J. G. W. Davidson (Aberdeen); Mr G. D. H. Dewar (Glasgow); Mr John Grant, M.C., M.A. (Aberdeen); Mr James Haldane, B.A. (Edinburgh); Mr R. S. Hunter, B.A. (Glasgow); Mr W. D. Johnston, O.B.E. (MIL.), T.D. (Elgin); Mr Festus Moffat, O.B.E., J.P. (Falkirk); Mr H. Forbes Murphy (Edinburgh); Mr A. D. Paton (Glasgow); Mr G. C. Patterson (Edinburgh); Mr Andrew Rintoul, B.A. (Glasgow); Mr W. Forster Simpson (Dundee); Mr D. G. Slidders (Dundee); and Mr W. J. Trotter (Dumfries).

*Members practising in the United Kingdom outside Scotland:* Mr T. G. B. Matheson (London) and Mr W. K. M. Slimmings, C.B.E. (London).

*Members not in practice:* Mr D. B. Belch, M.A., B.L. (Glasgow); Mr W. L. G. Duff, B.A. (Glasgow); Mr R. D. Gillan (Edinburgh) and Mr W. S. Risk, B.COM., F.C.W.A. (London).

### Retiring Members of Council

A vote of thanks was passed in respect of the services of the retiring members of Council, Messrs T. S. Aitchison (Hawick), Robert Kemp (Glasgow), James M. Ritchie (Edinburgh) and R. J. Scott (Glasgow).

### Auditor

Mr William C. Taylor was re-elected as the Institute's Auditor for 1964-65.

### David Murray Almonry Fund

Mr H. Forbes Murphy (Edinburgh) was re-elected as the Institute's representative on the Board of Trustees of the David Murray Almonry Fund.

### The Scottish Chartered Accountants' Benevolent Association

It was resolved that in respect of the year 1963 a grant of £450 be made to The Scottish Chartered Accountants' Benevolent Association.

### Handing over of Presidential Badges

Mr Milligan invested Mr Dallachy with the Presidential Badge and Mr Dallachy then took the chair and expressed his thanks for his election as President.

Mr Dallachy invested Professor Robert Browning with the Vice-Presidential Badge and Professor Robert Browning expressed his thanks.

### Vote of Thanks to Mr William L. Milligan

Mr Dallachy moved a vote of thanks to Mr Milligan for his work as President of the Institute and for his conduct of the meeting. Mr Milligan expressed his thanks.

### Welcome to New Members

The admission to the Institute of twenty-six new members was approved. Those present were addressed by the new President, Mr Dallachy, and were welcomed individually by him.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### L. G. Berry Investments Ltd v. Attwooll

In the High Court of Justice (Chancery Division)

March 13th, 1964

(Before Mr Justice PLOWMAN)

*Income tax - Investment company - Management expenses - Directors' remuneration - Whether all remuneration is management expenses - Income Tax Act, 1952, sections 425, 262 (2) (a).*

The appellant company had an issued capital of £40, which was held by the members of a family. The three members of the family who were shareholders were also the directors. One was aged over 80; the other was her daughter; and the third director was

her son whose name the company bears. The business consisted in advancing money on mortgage to purchasers of houses, and it was common ground that the company was within section 425 (1) (b), of the Income Tax Act, 1952.

In the company's accounts for the period ended April 5th, 1961, the sum of £1,800 was charged as directors' fees. In an appeal to them the Special Commissioners decided that only £600 was allowable as directors' fees in computing the management expenses of the company for that period.

*Held:* the Special Commissioners' decision was correct.

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BAILEY VERITY & RAYNER, Chartered Accountants, of 32 North Parade, Bradford, announce that Mr P. W. REID, A.C.A., A.T.I.I., has been admitted into partnership as from April 1st, 1964.

MESSRS E. C. BARBER & Co and Messrs DOMMETT SOPER & Co, who have been associated for some time, announce that as from April 1st, 1964, their practices will be amalgamated. The new firm will practise under the name of BARBER, SOPER & Co, Chartered Accountants, at Ibex House, Minorities, London EC3.

MESSRS P. B. BISHOP & Co, Chartered Accountants, of Finsbury Court, Finsbury Pavement, London EC2, announce that with effect from April 1st, 1964, they have admitted into partnership Mr GERALD A. WISEMAN, A.C.A., who has been a senior member of their staff for a number of years.

MESSRS CARLILL, BURKINSHAW & FERGUSON, Chartered Accountants, announce that from April 1st, 1964, they have entered into an association with MESSRS HODGSON, HARRIS & Co, Chartered Accountants. The present partners of MESSRS CARLILL, BURKINSHAW & FERGUSON have been joined by the following partners of MESSRS HODGSON, HARRIS & Co: Mr K. P. HELM, F.C.A., Mr J. PALMER, F.C.A., and Mr W. H. HALL, F.C.A. Both firms will continue to practise in their own names from their respective addresses.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that as from April 1st, 1964, they have taken into partnership in Leeds, Mr DENIS JAMES GROOM, B.COM., C.A.(S.R.), A.S.A.A., and in Sheffield, Mr BARRIE COTTINGHAM, A.C.A.

MESSRS COHEN, ARNOLD & Co, Chartered Accountants, announce that as from April 6th, their address will be Mitre House, 177 Regent Street, London W1.

MESSRS HODGSON, HARRIS & Co, Chartered Accountants, announce that from April 1st, 1964, they have entered into an association with MESSRS CARLILL, BURKINSHAW & FERGUSON, Chartered Accountants. The present partners of MESSRS HODGSON, HARRIS & Co have been joined by the following partners of MESSRS CARLILL, BURKINSHAW & FERGUSON: Mr R. G. SLACK, M.A., F.C.A., and Mr H. G. SERGEANT, F.C.A. Both firms will continue to practise in their own names from their respective addresses.

MESSRS LEMAN, HILL & HILTON, Chartered Accountants, of 7 College Street, Nottingham, announce with regret that as from March 31st, 1964, Mr L. S. CROWDER, F.C.A., who has been a partner in the firm for thirty-four years, is retiring upon leaving the district. As from April 1st, 1964, Mr TIMOTHY BAILEY, A.C.A., who served his articles with the firm, is joining the partnership. The style of the firm will remain unchanged.

MESSRS MANN JUDE & Co, of 8 Fredericks' Place, London EC2, Messrs FAIRBAIRN, WINGFIELD & WYKES, of 1 Honey Lane, London EC2 and Messrs HARTLEYS, WILKINS & FLEW, of 1 Central Buildings, Tothill Street, London SW1, announce that they are merging their practices. The traditional names of the three firms

will continue in use, but from April 11th, 1964, the partners of each firm will be Messrs J. H. MANN, M.B.E., M.A., F.C.A., G. B. JUDD, M.A., F.C.A., F. W. ENGLISH, F.C.A., D. L. ADAM, T.D., C.A., R. K. BRISCOE, M.A., F.C.A., J. M. SUMMERS, C.A., C. B. FYTCHE, F.C.A., V. D. WYKES, F.C.A., W. R. PUGSLEY, F.C.A., L. A. HALL, F.C.A., G. B. W. OLDHAM, M.A., C.A., B. F. WHEELER, F.C.A., J. H. M. FLEW, M.A., A.C.A., I. G. BOOTH, A.C.A. For a limited period the existing addresses and telephone numbers will be unchanged.

MESSRS MESSENGER & KIRKMAN, of 4 King Edward Street, Oxford, announce that as from April 6th, 1964, the firm's name will be changed to WELLER, MESSENGER & KIRKMAN. The composition of the firm which is unchanged is as follows: Messrs G. T. WELLER, F.A.C.C.A., F.T.I.I., B. J. DORE, A.C.A., D. C. HONEY, A.C.A., I. W. PARK, A.C.A. and D. JACKSON, A.C.A.

MESSRS PASSMORE & TOLPUTT, of Market Chambers, Onslow Street, Guildford, Surrey, announce that as from April 1st, 1964, they have taken into partnership Mr G. D. ENTICKNAP, A.C.A., who has had a long association with the firm.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that Mr J. Y. V. HUNT, F.C.A., retired from the Hong Kong partnership on March 31st, 1964. Mr O. J. SAINT, A.C.A., has been admitted into the Hong Kong partnership from April 1st, 1964.

MESSRS PRICE WATERHOUSE & Co (European firms) announce with great regret the death on March 25th, 1964, of their partner Mr JOHN WILLIAM KEENAN, F.C.A.

MESSRS PROCTOR & PROCTOR, Chartered Accountants, of 43 Westgate, Burnley, announced with regret that Mr A. V. HEDGES, M.C., F.C.A., is retiring from the partnership with effect from March 31st, 1964. He will, however, remain available to the firm as a consultant.

MESSRS RICHARDSON & LAWSON, Chartered Accountants, of 91 Mitchell Street, Glasgow C1, announce that Mr RALPH SCOTT RISK, C.A., who has been a member of their staff for some time, is being assumed as a partner in the firm with effect from April 1st, 1964. The name of the firm will remain unchanged.

MESSRS ROOKE, LANE & Co, Chartered Accountants, of 2 Norfolk Street, London WC2, announce that Mr H. W. BRAMLEY, F.C.A., who has been with the firm for forty-seven years, retired from the partnership on March 31st, 1964. The practice is being continued under the same name by the remaining partners.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 33 King William Street, London EC4, announce that Mr G. C. B. KELLAGHER, C.A., who has been a member of their staff for some years, has been admitted into partnership as from April 1st, 1964.

MESSRS THOMSON McLINTOCK & Co, Chartered Accountants, of 5 St Philip's Place, Birmingham 3, announce that Mr JOHN CONSTANTINE, C.A., has been admitted into partnership as from April 1st, 1964.

MESSRS WHITEHILL WILLIAMS & Co, of Warwick House, Warwick Court, Gray's Inn, London WC1, announce that Mr BRIAN L. WORTH, A.C.A., has been assumed as a partner.

## THE INSTITUTE OF COST AND WORKS ACCOUNTANTS

Mr Derek du Pré has relinquished his appointment as Secretary of The Institute of Cost and Works Accountants as from March 31st, 1964.

Mr F. W. H. Saunders, F.C.W.A., has agreed to act as Secretary of the Institute until a new appointment is made.

### OBITUARY

**Mr J. C. Latham, D.L., F.S.A.A., F.A.C.C.A., F.C.I.S.**  
It is with great regret that we record the death last Sunday, after a long illness, of Mr J. C. Latham, D.L., F.S.A.A., F.A.C.C.A., F.C.I.S., formerly Secretary and later Director of The Association of Certified and Corporate Accountants.



Admitted to membership of the Association in 1919 and to membership of The Society of Incorporated Accountants in the following year, Mr Latham accepted the appointment of Secretary of the Association in 1921 following more than twenty years' experience in local government. Statutory recognition was not enjoyed by the Association at the time of his appointment and he quickly set about the task to advance the Association's claims for such recognition; his work to that end succeeded in 1930. Mr Latham also played a prominent part in the difficult and protracted negotiations which preceded the absorption of the Corporation of Accountants in 1938—and again two and a half years later when the Institute of Certified Public Accountants was absorbed.

Despite his wholehearted devotion to the interests of the Association he still found time to take part in the affairs of other organizations, notably as a member of the Commercial Education Committee of the London Chamber of Commerce, as a member of the Board of Management of the National Chamber of Trade and, of course, as the representative for many years of the Association on the various joint committees of the accountancy profession. Mr Latham travelled widely and attended no less than six of the eight International Congresses of Accounting held since 1904.

On his retirement from the secretaryship of the Association in May 1953 he was invited by the Council to continue in office as part-time director in an executive and consultative capacity. He retired from this latter position in December 1960.

Mr Latham was also a Fellow of the Chartered Institute of Secretaries and of the Royal Statistical Society. In 1949 he was honoured by being appointed a Deputy-Lieutenant of the County of Middlesex.

We extend our sympathy to Mrs Latham and to his son in their bereavement.

## William Heslop

It is with regret that we record the death at the age of 93 of Mr William Heslop, founder of the firm of Heslop & Son, of Darlington. He was a freeman of the County Borough of Darlington, an ex-Mayor, and for many years chairman of the Finance Committee.

In addition to his civic appointments, Mr Heslop had a wide variety of interests. He was the founder secretary and later president of the Darlington Rotary Club, and was a keen Methodist, serving for thirty years as organist of Greenbank Church. He was also for some years chairman of the Darlington Operatic Society and took an active interest in the repertory movement. As a freemason he was past master of the Vane Lodge and held provincial rank.

## THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

### List of Members

The *List of Members* of The Association of Certified and Corporate Accountants now published, shows that membership of the Association at January 1st, 1964, totalled 11,200.

The new edition, which extends to 675 pages, contains the usual alphabetical and topographical lists of members, together with the names of members of the Council and committees, information about the district societies and particulars of objects, examinations, membership, etc., of the Association.

## TAX RESERVE CERTIFICATES

The Treasury has announced that tax reserve certificates of the ninth series issued from March 28th until further notice will bear interest at the rate of 2½ per cent per annum. The rate on certificates of the ninth series subscribed before March 28th will remain unchanged.

The interest on tax reserve certificates is free of tax and grossed up at 7s 9d the new rate of interest represents an equivalent yield of £4 9s 9d. The last change in the rate was on January 18th, 1963, when it was cut from 2½ per cent to 2¼ per cent.

## WAR DAMAGE ACT, 1964

The War Damage Act, 1964, received the Royal Assent on March 25th. The Act brings the War Damage Compensation Scheme to an end by prescribing time limits for all outstanding claims. If a cost of works payment for the cost of making good war damage is to be obtained the claimant must do the necessary work and make his claim for payment by September 30th, 1968. Similarly, claims for value payments for war damage which is not to be made good must also be made by September 30th, 1968.

The War Damage Commission estimate that the outstanding liability is nearly £20 million.

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**YORK CHARTERED ACCOUNTANTS' DINNER**

The sixth annual dinner of the York Group of The Leeds, Bradford and District Society of Chartered Accountants was held on March 20th in the Merchant Taylors' Hall, York. Mr R. T. Collinson, F.C.A., Chairman of the York Group, presided.

Mr A. A. Gibbs, a director of Barclays Bank Ltd, proposed the toast of 'The Institute of Chartered Accountants in England and Wales' and the response was by Mr Bertram Nelson, C.B.E., F.C.A., a member of the Council of the Institute. Mr Nelson said that the profession should increasingly draw its potential members from the universities. He believed that the university graduate would find accountancy an interesting, useful and remunerative profession. The accountant, he said, was ceasing to be a man who calculated and was becoming more and more a man who analysed and explained.

The toast of 'The Guests' was proposed by Mr Collinson, and the Lord Mayor of York, Alderman A. Kirk, responded.

**THE INSTITUTE OF OFFICE MANAGEMENT  
National Conference**

The national conference of The Institute of Office Management is to be held at Scarborough from April 16th to 18th.

Mr S. P. Chambers, C.B., C.I.E., chairman of Imperial Chemical Industries Ltd, will speak at the inaugural dinner, which will be presided over by the President of the Institute, the Earl of Courtown, O.B.E. The emphasis of the conference papers will be on present-day technological changes and their effect in industry, and will deal with management training and the training of specialists for the office, the measurement of clerical work as a means to greater efficiency, and trends in pay, prices, profits and productivity.

**THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, April 6th, in the vestry at St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be Hebrews, chapter 4, verses 15 and 16.

**SAMPLING AS AN ACCOUNTING TOOL****Case Studies on Statistical Methods**

Two papers on checking stock and invoices by sampling methods are to be given at a meeting of the industrial applications section of the Royal Statistical Society on May 1st.

Mr J. Draper, of Reed Paper Group, is to give a case study on sample stocktaking; and Mr R. A. Ward, of

the Royal Institute of Public Administration, will present a case study on invoice checking in a large public authority.

The meeting, at which visitors will be welcome, will be held at the London School of Hygiene and Tropical Medicine, Keppel Street, London WC1 at 5.15 p.m.

**THE INSTITUTE OF INTERNAL AUDITORS  
London Chapter**

'Operational research in internal auditing', will be the subject of an address to be given by Mr N. A. Smith of Unilever Ltd, at a meeting of the London Chapter of The Institute of Internal Auditors to be held on Wednesday next, at 12.30 p.m., at the Kingsley Hotel, Bloomsbury Way, London WC1.

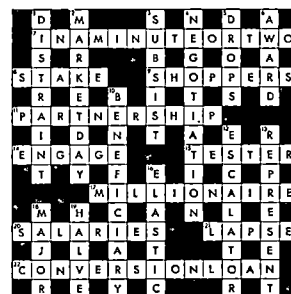
**Birmingham Chapter**

The next meeting of the Birmingham Chapter of the Institute of Internal Auditors will be held on Thursday next at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham, at 6.30 p.m. The speaker will be Mr L. Ellis, personnel officer of Massey-Ferguson (U.K.) Ltd, on 'Selecting the man for the job'.

Further information regarding the Institute or the Birmingham Chapter may be obtained from the local secretary, Mr R. C. J. Lucas, West Midlands Gas Board, Wharf Lane, Solihull, Warwickshire.

**CROSSWORD SOLUTION**

The solution to the Easter Crossword compiled by Mr Kenneth Trickett F.C.A., which appeared in last week's issue, is as follows:

**ECONOMIC CONDITIONS IN SWITZERLAND**

A further booklet in the series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has recently been issued containing a comprehensive analysis of economic conditions in Switzerland. Copies of the booklet are obtainable from H.M. Stationery Office, price 5s each.

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## Economic Report 1963

LAST year, the Economic Survey which had appeared each spring from 1946 to 1962 gave place to the Economic Report published as a supplement to The Treasury's publication *Economic Trends*. This method of publication gives an indication of the lowered status of the Economic Report, compared with the document it superseded. The report for 1963 follows the lines of the first issue, and like it, accompanied the March issue of *Economic Trends* published on Wednesday.

The purpose of the report was stated in last year's issue to provide a factual analysis of economic developments during the year under review. Unlike the Economic Survey, it contains no forecasts, nor does it have any section devoted to a defence of economic policies followed in the year being reviewed. A greater proportion of the material is statistical, either in chart or tabular form.

Reports on the economic state of the nation tend, nowadays, to follow a set pattern. An examination is made of the various elements which make up the total demand on productive sources - exports, stockbuilding, fixed investment, and consumption. Then the resources available to meet the demand are considered, and the extent to which these resources have been utilized is assessed. The interaction of the demand and supply affects incomes, costs and prices, and these, in turn, influence monetary developments and the balance of payments. This logical pattern is adopted in the current Economic Report, but the more detailed analysis on these lines is preceded by a summarized version which traces the course of the economy as a whole during the year, and which contains an assessment of Britain's economic performance in 1963.

This assessment can properly be regarded as a success story; it shows the response of the economy to the measures taken to stimulate demand. That these measures were of the right kind, and of the right size, emerges from the analysis. Superimposed on the need to stimulate general demand, there was the need to pay special attention to the development areas. The problems of these areas are deep-seated and more intractable than the general deficiency in demand which afflicted the economy at the beginning of 1963. Success in this sector takes longer to achieve, but the year provided evidence that the measures taken were beginning to have their effect. The achievement of 'expansion without inflation' was, however, beginning to be in doubt, as incomes, costs and prices seemed to be rising at the end of the year.

At the beginning of 1963, the under-utilization of capacity was made worse by the exceptionally severe winter, and unemploy-

ment rose to nearly nine hundred thousand in February. Continuing the policy of stimulating demand which the Government had begun in 1962, the release of post-war credits was accelerated and a substantial reduction was made in purchase tax, first on cars, and then on other consumer-durables. Advance notice had already been given by the CHANCELLOR to extend the tax allowances for capital expenditure and the investment programmes of the nationalized industries had been considerably stepped up. The 1963 Budget was designed to carry this policy further and tax reductions amounting in value to £270 million were announced. It was expected that the effect of all these measures would be to increase production by more than 4 per cent per annum. The regional problems were attacked by the grant of 'free depreciation' on capital expenditure and by the strengthening of capital grants to firms in the special areas.

In the months immediately following the Budget, a sharp rise in activity took place. Exports rose appreciably and public investment took a sharp upward turn. Expenditure on cars and other consumer-durables caused a large expansion in their output. The Budget tax reliefs began to affect personal incomes and expenditure from July onwards, and retail sales rose in the third quarter. In this quarter, industrial production was more than 3 per cent higher than a year earlier.

During the autumn there was a sharp rise in business confidence; the Federation of British Industries autumn survey showed a marked change towards a more optimistic outlook, and the rate of new ordering in engineering and other industries turned up strongly. Fixed

investment in the private sector, which had shown a continuous fall since 1961, began to level out and by the end of the year had started to rise again.

After remaining at a comparatively low level for most of the year, stockbuilding increased sharply in the last quarter. By the end of the year, the rise in production had taken the index to record levels. Between the second and fourth quarters of 1963 the index of production rose by  $5\frac{1}{2}$  per cent. Real personal income rose by 5 per cent in the year and unemployment was down to 2 per cent and still falling, at the end of the year. Exports in 1963 were 8 per cent in value, and 6 per cent in volume, higher than in 1962. Special plans to help Central Scotland and North-east England were announced in November, and there were encouraging signs that the pace of capital development in these regions was quickening as the year ended.

Much of the increase in production was due to the bringing into use of productive resources which were under-utilized at the beginning of the year. Both these resources and the growth of capacity which had occurred during the year, appeared to be fairly fully utilized as 1963 gave place to 1964. During the first three-quarters of the year, the increase in production was greater than the increase in earnings, and wage costs per unit of output fell. By the end of the year, earnings had probably caught up on production. The report notes that only limited progress was made towards securing acceptance of an incomes policy. For 1963 as a whole, the surplus on current account was £121 million, a slight improvement on 1962. The surplus for the first half of 1963 was the best half-year's out-turn for a number of years but it diminished in the second half of the year. This is not unconnected with the growth in costs and incomes.

The section on the 'Course of the year', concludes with the words (referring to the end of 1963), 'Prosperity was a present fact; but the need for collective action to avoid inflation and strengthen our competitive position had emerged more clearly than ever before as the essential condition for the continued achievement of a satisfactory economic growth.' The more the pity then, that the authors of the report had to note only little progress in the acceptance of an incomes policy.

**Changes in total and working population**  
Thousands (Great Britain)

	1954- 1960 annual average	June 1960- June 1961	June 1961- June 1962	June 1962- June 1963
Change in total population over the age of 15 .. ..	+144	+265	+546	+270
Change in working population of which:	+128	+214	+262	+ 82
Change in armed forces ..	- 55	- 44	- 32	- 15
Change in wholly unem- ployed .. ..	+ 12	- 39	+121	+ 89
Change in civil employment of which:	+171	+297	+173	+ 8
Manufacturing .. ..	+ 88	+117	- 76	-137
Other .. ..	+ 83	+180	+249	+145



# Added Value —

## An Important Factor in Financial Control

by MELVYN GREENE, A.C.A., and RICHARD J. CORNWELL, A.C.A.

**A**DDED VALUE is a term which has received considerable publicity of late, mainly because of the attention which has been given to the possibility of an added-value tax. Little thought has been given, however, to its use in financial control systems.

The authors of this article have encountered only a small number of companies (in printing, refractories and engineering) who use added value as a prime factor in their financial control systems. But these few companies do have systems which appear to be extremely effective and dynamic. What is more important, non-accounting management seem to appreciate the many advantages of control information based on added value.

### Definition of Added Value

Added value is also variously called conversion value, production value, or even value-added. Although primarily an economist's term it is an important factor in many companies' accounts and yet it is rarely used by accountants. Possibly the reason is that very few book-keeping textbooks mention the term, although it is explained in some costing books.

It can be defined as the value added to raw materials and outside purchases in converting them into a finished product. It is the wealth left inside a business after paying outside suppliers for purchases used in the productive process. Added value is used to pay for all wages, salaries, overheads, interest, dividends and reserves.

An illustration of the calculation of added value is as follows:

	£
Sales value .. .. .	100,000
Less Materials, supplies and services	50,000
Added value .. .. .	<u>£50,000</u>

For the purposes of this article, it has been assumed that there has been no variation in work in progress and finished products.

Materials, supplies and services should include electricity, spares and any services purchased

which are used in production. Cost of a company's own wages on carriage or repairs should not be included.

Examples of the items included under the heading of materials, supplies and services for three different industries are as follows:

<i>Printing</i>	<i>Refractories</i>	<i>Engineering</i>
Paper	Clay	Raw materials
Inks	Coke	Components
Consumables	Oil	Outwork
Outwork	Raw materials	Consumables, tools
Machinery repairs	Machinery repairs	Machinery repairs
Electricity and fuel	Kiln repairs	Electricity, gas, fuel

### Disadvantages of Sales Value

The majority of accountants present cost and profit statistics measured against sales value. This is reasonable in factoring and merchanting, or even in some manufacturing companies with a steady product mix. However, in other manufacturing and conversion industries this has many disadvantages, and a comparison of costs against added value would be far more useful for management control purposes. Disadvantages of sales value as a basis of measurement can be summarized as follows:

- (1) Sales value can increase or decrease, because of the fluctuating material content of products invoiced, without any relationship to efficiency. One accounting period may include a large number of completed products with a high material content and therefore sales value may seem very high compared with other periods.
- (2) Sales value may also be affected by the different values of raw materials used in a period. Where more expensive raw materials are used on a product, the price is higher, although it might take the same time to produce as another product with cheaper raw materials.
- (3) The amount of outwork, or equipment purchased and included in the finished product, may vary from period to period (e.g. in the manufacture of industrial furnaces, sales may be very high in one period because a furnace was invoiced

including an expensive generator purchased from another manufacturer).

- (4) In some industries, the customer sometimes supplies a large proportion of the basic material (e.g. paper in printing) and this can cause a decrease in the selling price of the job, although profits will not necessarily be lower.
- (5) Fixing of budgets, break-even points, or targets in sales value may be completely wrong if the material content changes.
- (6) Basis of trade discounts (or special discount schemes for large quantities) could be incorrect if material cost and added value is overlooked.

### Examples

The advantage of using added value instead of sales value as a basis of measurement is illustrated in the example below. The first column shows a company's results for one accounting period in a year. The second column shows the same activity in the next period except that the customer has supplied £2,000 of his own paper (printing), or the material content was £2,000 lower (engineering):

	Period 1			Period 2		
		per cent			per cent	
Sales value ..	10,000	100	200	8,000	100	160
Materials and supplies ..	5,000	50	100	3,000	37.5	60
Added value..	5,000	50	100	5,000	37.5	100
Wages ..	2,000	20	40	2,000	25	40
Gross profit	3,000	30	60	3,000	37.5	60
Overheads ..	2,000	20	40	2,000	25	40
Net profit. ..	<u>£1,000</u>	<u>10</u>	<u>20</u>	<u>£1,000</u>	<u>12.5</u>	<u>20</u>

Percentages in each period are a comparison of costs and profit on sales value first and added value second. In the first column sales value is 100 per cent and in the second column added value is 100 per cent.

It can be seen that if profits are compared against sales value there would appear to have been an improvement in the net profit percentage from 10 to 12.5. And yet profit is still £1,000. The net profit on added value is 20 per cent in each period.

Where a company gives large customers a special trade discount, it should be based on added value if the material content is likely to vary substantially.

The following is an example of the profit position on a customer who is given a special

quantity discount of 5 per cent on purchases over £50,000 in a year. The second column shows a situation where the amount of the customer's purchases have been increased purely because he is buying a larger proportion of the product range with a higher material content.

			£	£
Sales value	..	..	100,000	110,000
Less: Materials and services	..	..	45,000	55,000
Added value	..	..	55,000	55,000
Labour costs	..	..	25,000	25,000
Gross profit	..	..	30,000	30,000
Overheads	..	..	20,000	20,000
			10,000	10,000
Special discount 5 per cent by £50,000	..	..	2,500	
Special discount 5 per cent by £60,000	..	..		3,000
Net profit	..	..	£7,500	£7,000

In the foregoing example, sales value is higher and yet profits are down. As many quantity discount schemes are on a 'step-up' basis, the effect of changes in material content can be substantial. And the customer may not have bought any more of the factory's production which is the prime reason behind most discount schemes.

### When to use Added Value

Where any of the foregoing points are applicable it is better to use added value in measuring statistical results from one accounting period to another.

It is interesting to note that group incentive schemes based on financial results have been far more successful where the targets have been related to added value rather than sales value (e.g. Rucker Plan, or Share of Production Plan).

Quite probably the most important factor in deciding whether to use sales value or added value in control statistics, is how the company estimates and quotes for an order.

Sales value is the better basis if a company adds an equal percentage for overheads and profit on the total estimated material and labour cost. But where a company only recovers a small percentage on materials for handling charges, and includes its overheads and profit on the estimated labour

cost, then added value can be a much better control factor.

### Conclusion

Since the commencement of business life the amount of sales has ranked in importance only after net profit. Even so, it is very important that accountants should strive constantly to seek new

ways and methods of presenting financial information.

There are many companies and industries where the introduction of added value as a control factor could have considerable advantages in strengthening the effectiveness of financial information.

## A Foreign Exchange Balance Sheet for the U.K.

by KENNETH S. MOST, LL.B., F.C.A.

**T**HOSE who have campaigned for the production of accounting statements which would reveal the facts about Britain's financial position will welcome the pioneer balance sheet published in the Bank of England *Quarterly Bulletin* for March. (Table I.)

This is an attempt to offset British assets and liabilities abroad which, although admittedly incomplete, combines figures currently available in order to estimate the position of the United Kingdom in terms of foreign exchange. The figures shown in brackets are precarious estimates or known to be incomplete; important categories for which no figures are available are shown in italics.

A revealing insight into official thinking is provided in the *Bulletin* (page 23):

'If the data are to be brought together in a systematic way, it is unavoidable that the presentation should have some aspects of a balance sheet. It will be seen on closer inspection, however, that the various elements are so fundamentally different in kind and in methods of valuation that to add them together and strike a balance produces a figure which is neither coherent nor complete.'

It then goes on to state that cash flows are more important in controlling the balance of payments.

The wide tolerances to which the accountant works in the preparation of a balance sheet, and the importance of cash forecasts in financial management, are by now fully recognized by the profession. Nevertheless, the utility of balance sheets for structural analyses, and the necessity to relate capital and income flows to them in dynamic analysis and projections, is also a matter of fundamental acceptance.

### The Balance Sheet

The balance sheet form shows assets on the left and liabilities on the right, which conforms with overseas practice rather than British; the

statement may therefore be aimed at an audience of foreign bankers. It shows the U.K. in what is termed a 'net creditor' position with other countries, but this is only partly a Bank of England euphemism for an excess of assets over liabilities.

Besides the precarious estimates and important omissions already mentioned, some investments are shown at 'book values' which may be far removed from market or replacement values. Portfolio investments, however, are shown at market values.

It is stressed that important categories of assets and liabilities are omitted, notably trade credit in the private sector. This is believed to be substantially in Britain's favour, the amounts owed by customers abroad apparently exceed the corresponding liability. It is questionable, however, whether the inclusion of comprehensive figures under this heading will materially affect the picture presented; in particular, it would effect little change to the Government's position which, it will be seen, is the crucial difficulty.

One problem which the statement fails to deal with is the difference between various types of currency in which assets and obligations may be expressed. These could range from the hardest of hard currencies, such as Swiss francs, to the softest of the soft, such as Brazilian cruzeiros. In some currencies, multiple rates are in use; sterling is an example, with its resident, foreign and security accounts.

The basic classification, however, should be into free and restricted currencies; assets in the former are capable of valuation to within reasonable tolerances, whereas restricted currencies are another story altogether. It would have been useful to separate these two classes in some way; non-convertible currencies have been excluded from current assets.

The statement does not allocate British trans-

Table I

## U.K. EXTERNAL ASSETS AND LIABILITIES: END - 1962

(Source: Bank of England *Quarterly Bulletin*, March 1964)

ASSETS		LIABILITIES	
<b>Short-term</b>			
<b>Official:</b>			
Gold and convertible currency reserves .. ..	£m. 1,002	Treasury Bills and non-interest-bearing notes held by overseas residents (excluding the I.M.F.) ..	£m. 1,095
		British Government stocks held by overseas banks, central monetary institutions and international organizations through the U.K. banking system	1,183
		Overseas current and deposit accounts in sterling with Bank of England and Crown Agents (excluding I.M.F. holdings) .. ..	113
		Overseas temporary deposits with; and loans to, U.K. local authorities .. ..	71
	<u>1,002</u>		<u>2,462</u>
<b>Short-term</b>			
<b>Private:</b>			
U.K. banking system's external claims in:	£m.	Overseas current and deposit accounts in sterling with U.K. commercial banks; commercial bills and promissory notes .. ..	£m. 1,475
Sterling .. ..	846	Overseas lending to U.K. hire-purchase finance houses .. ..	105
Non-sterling currencies .. ..	1,020	U.K. banking system's external liabilities in:	
Overseas sterling area currencies .. ..	48	Non-sterling currencies .. ..	1,038
Other U.K. residents' external claims in:	(200)	Overseas sterling area currencies .. ..	120
Non-sterling currencies .. ..	—	Trade credit not elsewhere included .. ..	—
Overseas sterling area currencies .. ..	—		<u>2,738</u>
Trade credit not elsewhere included .. ..	—		
	<u>(2,104)</u>		
<b>Long-term</b>			
<b>Official:</b>			
Inter-government loans by the United Kingdom ..	£m. 398	Inter-government loans to the United Kingdom ..	£m. 1,930
Other official lending .. ..	145	Overseas holdings of British Government stocks (excluding those of overseas banks, central monetary institutions and international organizations shown above) .. ..	(600)
Subscriptions to international financial organizations (excluding the I.M.F.) .. ..	141	Overseas holdings of U.K. local authority mortgages and stocks .. ..	(110)
H.M. Government's holdings of non-sterling securities .. ..	(385)		<u>(2,640)</u>
	<u>(1,069)</u>		
<b>Long-term</b>			
<b>Private:</b>			
Portfolio investments .. ..	£m. (3,000)	Portfolio investments in U.K. company securities	£m. (735)
Direct investments (except oil, insurance and banking) .. ..	(3,500)	Direct investments (except oil, insurance and banking) .. ..	(1,400)
Net assets abroad of U.K. oil companies .. ..	(1,100)	Net assets in the U.K. of overseas oil companies ..	(700)
Direct investments of U.K. insurance companies (incomplete, United States only) .. ..	(350)	Direct investments of overseas insurance companies ..	—
Direct investments of U.K. banks .. ..	—	Direct investments of overseas banks .. ..	—
Individuals' holdings of real estate .. ..	—	Individuals' holdings of real estate .. ..	—
Other non-company holdings of real estate .. ..	—	Other non-company holdings of real estate .. ..	—
Trade credit not elsewhere included .. ..	—	Trade credit not elsewhere included .. ..	—
	<u>(7,950)</u>		<u>(2,835)</u>
<b>United Kingdom's I.M.F. position:</b>			
U.K. subscription to the I.M.F. .. ..	£m. 696	I.M.F. sterling holdings (cash and non-interest-bearing notes) .. ..	£m. 517
Total of identified items .. ..	<u>(12,821)</u>	Total of identified items .. ..	<u>(11,192)</u>

actions with the International Monetary Fund (I.M.F.) either to the appropriate economic sector or to the short or long term. In the light of the *Bulletin's* comments it is fairly clear that these are Government operations, representing a long-term investment and a short-term liability, and the fact that borrowing could be effected on the strength of the relationship does not affect this position. Such a loan would merely increase current assets and current liabilities by the same amount.

Another difficulty in reading the balance sheet arises out of the attempt at consolidating two essentially different economic entities, the Government and the private sectors. In so far as these could be said to be under common control, such a practice would be justified, but in a free economy the assumption is at least questionable. It may be clearer to separate the two accounting entities, which results in the production of the two balance sheets shown below in Table II.

This brings out an interesting situation; the Government has net borrowing commitments of £2,852 million, whereas the private sector has an excess of assets of at least £4,481 million. The Government picture shows clearly the underlying cause of Britain's concern over any major fluctuation in its balance of payments. It is the highly illiquid situation on its current account, with assets of £1,002 million available against liabilities of £2,979 million; a current ratio of only 0.34. This is aggravated by the unsatisfactory

current ratio of the private sector, which is also less than 1. In the light of these figures the view that Britain should not hesitate to borrow short-term to tide over any pressure on sterling arising from a serious balance of payments deficit needs careful consideration. Everything depends on the corrective action to be taken and opinion overseas regarding the future of sterling.

### Re-financing and the National Debt

It would appear possible to apply conventional balance sheet analysis to this problem in order to determine the appropriate corrective action to take. A number of possibilities suggest themselves in this connection. Sequestration of private sector current assets would not help, since there is no excess of current assets available from the private sector. Liquidation of Government long-term assets, besides being impossible in view of foreign commitments, would still not provide a current ratio of 1. Exchange control means abandonment of all hope for economic growth in the foreseeable future and would have dangerous repercussions on the maintenance of our overseas trade at its present level, and on full employment. Sequestration of private sector investments was acceptable in time of war, but cannot be a political possibility in peace-time.

On the other hand, the insecurity arising from this illiquidity or shortage of working capital is a constant threat to economic expansion, and must

Table II

#### BRITISH GOVERNMENT FOREIGN EXCHANGE

ASSETS				LIABILITIES			
<i>Current</i>		£m.	£m.	<i>Current</i>		£m.	£m.
Gold and convertible currency reserves	..		1,002	Overseas holdings of bills, notes, etc.	..	2,278	
<i>Long-term</i>				I.M.F. sterling holdings	..	517	
Loans	..	543		Deposits, loans	..	184	
Subscriptions to I.M.F.	..	696					2,979
Subscriptions to other international financial organizations	..	141		<i>Long-term</i>			
Investments	..	385		Loans	..		2,640
Deficit	..		1,765				
			2,852				
			<u>5,619</u>				<u>5,619</u>

#### PRIVATE SECTOR FOREIGN EXCHANGE

ASSETS				LIABILITIES			
<i>Current</i>		£m.	£m.	<i>Current</i>		£m.	
Cash at banks	..	1,904		Due to banks and others	..	2,738	
Receivables	..	200		<i>Long-term</i>			
			2,104	Share capital and loans - overseas holdings	..	2,835	
<i>Long-term</i>				<i>Surplus (capital)</i>	..	4,481	
Investments	..	3,000					
Other assets abroad	..	4,950					
			7,950				
			<u>10,054</u>				<u>10,054</u>

be rectified if the desired growth is to proceed without the constant danger of a run on the pound. This result could be achieved by negotiating long-term loans abroad, to improve the current position to the point where freedom of action became possible. Naturally, the overall 'deficit' would increase, but no one appears to doubt that Britain's credit abroad would justify borrowings in excess of the end-1963 figure of £2,852 million. As Government revenue from taxation and other sources is now running in excess of £6,000 million p.a. this figure can provide a convenient upper limit for the purpose of illustration. Additional long-term borrowing of £2,000 million would increase current assets to £3,002 million, providing a current ratio slightly over 1 and eliminating the danger of short-term pressure, while keeping the overall borrowings, at £4,852 million, well within the limit.

Naturally this would cost something in additional interest, although if the side effect were to allow Bank rate to fall into line with major overseas capital exporting countries there would be a corresponding saving. But this cost must be considered as a form of insurance, which at the

present time it would be well worth our while to carry.

Sound financial management would require the liquidation of this loan over, say, five-six years, and consideration must be given as to how this could be achieved. We are postulating a growth economy, with a permanent and increasing demand for Britain's products and services from abroad. If an annual amount of 5 per cent of the Government budget were allocated to the amortization of this loan, it could be redeemed within five or six years.

Naturally, this presupposes a Draconian policy of Government economy, and certain reduction of Government capital expenditure could only be avoided by re-financing some, at least, of its investments at home. However, this solution need not seriously affect domestic consumption.

The publication of this tentative and admittedly incomplete balance sheet proves conclusively that the way out of Britain's financial difficulties lies in the application of sound financial principles. It is only through the medium of Government accounts that this international funding operation can be properly planned and controlled.

## Tax Topics

### TAXES AND INFLATION

WRITING in the January-February issue of the *British Tax Review*, Mr A. R. Ilesic refers to the need to modify the existing scale of estate duty rates which, he asserts, 'at the top merely penalize the foolish and unready, while the lower and middle rates are based upon the assumption that there has been no inflation since 1945'. Actually the present progression is considerably steeper in the middle and upper ranges of estates than the 1945 rates, which were last changed in 1949. Since then, the value of money has fallen by over 50 per cent. The rates of duty, however, remain unchanged, and despite the fact that some asset values have risen as much as the decline in the value of money, with the passage of time the progressive structure of the duty involves an increasingly heavy burden for any given-sized estate.

In contrast, some attempt has been made to keep the personal income tax allowances in line with the devaluation of the currency. A Parliamentary answer reveals that in 1951-52 the amount a married man

with wife and child under 11 could earn before becoming liable to income tax was £334. By 1957-58 the corresponding figure was £450; in 1962-63, £461, and in the current year, £588. Over the same period the index of retail prices has risen from 109 to 163; in 1962-63 it was 160. Thus, before the changes made last year took effect, this particular class of taxpayer had suffered a cut in his allowances in terms of constant purchasing power from £344 to £313, although between 1951-52 and 1955-56 there had been an effective increase to £374. In the current year, as the result of Mr Maudling's changes, the value in terms of 1951-52 purchasing power of the same allowances is £397. Such figures illustrate clearly the problem posed by the discussion in the Second Report of the Royal Commission on Taxation as to the precise function of such allowances.

### CANADIAN TAX COMMISSION

MANY readers will be aware that a Canadian Royal Commission has been taking evidence on Canada's tax system. Some three hundred submissions have been made on all aspects of the tax structure and among the evidence submitted is a long memorandum from the Canadian Tax Foundation incorporating three separate submissions dealing with (i) the broad aspects of and considerations which determine the fiscal structure of an economy; (ii) a

statistical comparison of Canadian personal income taxation with that of other advanced countries; and (iii) an analysis of the principles of progressive taxation and the problems posed by attempts to put theory into practice.

The opening submission is a most useful summary of the conflicting considerations which ultimately determine the tax structure and the essentially subjective assessment of their importance which must be made by the politicians. This clear thesis, with its analysis of the conflicting objectives inherent in any tax system, deserves a wide readership. The statistical analysis of relative income tax burdens on different income groups in various countries leans fairly heavily on work done in the United Kingdom for the National Institute of Economic and Social Research. It stresses the problems posed in the evaluation of such evidence, e.g. the relative effectiveness of the Revenue machinery in different countries, and brings out clearly the very much steeper progression of personal income taxation in the United Kingdom, although ultimately the United States top rates exceed the British maximum rates of surtax and income tax combined. With reference to this particular income group, however, one must take into account the opportunities under the United States Revenue Code for exploiting the capital gains loopholes.

The final essay on progressive taxation serves to remind the reader that it 'appears to rest on the sand of sentiment rather than the rock of reason, upon a confused mass of different – and sometimes contrary – ideas and feelings rather than on a consistent, logical philosophy'. This interesting and readable memorandum (available from the Foundation's offices, 154 University Avenue, Toronto 1. Price \$1.50) reflects much credit on the Canadian Tax Foundation.

## PERSONAL TAXES IN NEW ZEALAND

CANADA is not the only dominion to concern itself with fiscal problems. A paper read by Mr L. N. Ross, F.P.A.N.Z., to the first Summer School of the New Zealand Society of Accountants, held at the University of Otago in February, reveals that while the southern hemisphere may have summer when the northern half of the globe has its winter, there is a marked similarity in fiscal matters.

The author of this paper shows that Sweden and New Zealand raise roughly the same proportions of tax revenues from direct and indirect taxation and this is virtually the highest proportion in the world. He notes that while Sweden is actively considering a revision of its tax structure to relieve the weight of direct taxation, in the last three fiscal years in New Zealand the yield from direct taxes has risen by 21 per cent, whereas that from indirect taxes has risen by only 11 per cent. Not altogether surprisingly the author comes to the same conclusion, as have many commentators in the U.K., that the time has come for 'some relief from direct taxation and the trans-

ference of the burden to commodity taxes – particularly on consumable goods'.

Of particular interest is the examination the author makes of the food subsidies which, in 1961, represented about twelve to fifteen per cent per week for a four or five person household. Given the income distribution of New Zealand, he points out that a limited reduction in direct taxes could be achieved by the removal of these subsidies, without any loss in welfare for the lower and middle income groups. There is, however, a further problem which the author does not take up. This is whether, with the changed prices of goods no longer subsidized, total consumption would remain the same. For example, although it can be argued that the U.K. milk subsidy enables schoolchildren to obtain free milk and does not really benefit the milk-producer, a little reflection on elasticities of both demand and supply will suggest that the benefits are probably shared.

## NEW ZEALAND COMPANY TAXATION

THE form of company taxation compatible with equity for the individual shareholder and the community at large remains as large a problem in New Zealand as it does in the United Kingdom. The 1951 New Zealand Taxation Committee was equally divided on the subject. One group proposed a flat-rate tax on profits, with dividends taxable in the hands of shareholders, i.e. the method used in North America and on the Continent. The other group favoured the U.K. method, whereby double taxation is avoided through the medium of a credit to the shareholder in respect of the tax charged on the company. The present position in New Zealand is complicated by the introduction of a graduated rate of tax on corporate profits.

In his Summer School paper, Mr Ross puts forward an alternative system whereby corporations should deduct the amount paid out as dividends to determine taxable profits, thus retaining the corporation tax only in respect of undistributed profits. Dividend income in the hands of individuals would then be treated in the same way as other income. The advantage of this method is that, given large distributions to shareholders, one approaches the ideal whereby the profits are assessed in their entirety upon the persons entitled to them and, where it applies, are also subject to surtax.

Against this approach is the question of capital accumulation. There is, of course, a strong case for discouraging the accumulation of profits for internal finance of investment. Unless, however, in New Zealand there is a well-organized capital market which can bring together personal savings for industrial investment, economic development could be retarded by such a tax scheme. Mr Ross recognizes that the above scheme has certain defects and suggests some modifications, in particular a flat rate of corporation tax, with some credit given shareholders in respect of this tax.

# The Accountancy Profession in Spain

by JAC KRIKKE, Ec.DRS.

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THE leading organization of accountants in Spain is the Instituto de Censores Jurados de Cuentas de Espana. Before it was founded in 1945, there had been in existence a number of *colegios*, e.g. the Colegio de Contadores Jurados de Bilbao, formed in 1927, which was the only one that managed to keep going until the opportunity came to join the Instituto de Censores Jurados.

The *colegios* did not prosper, mainly because each was established on a narrow regional basis with a consequently limited membership, and because the Civil War with its attendant miseries had disastrous economic effects. The strong feeling against Spain shown by many countries had, however, one beneficial outcome – it encouraged a sense of national solidarity, one of the results of which was the formation in 1942 of the Consejo Superior de Colegios Oficiales de Titulares Mercantiles. This body, being national in character, comprises all *titulares mercantiles*, that is to say, all persons in possession of the diploma of a commercial school and this, in turn, opened the way for a national institute of accountants, the Instituto de Censores Jurados, which aims at bringing together *titulares mercantiles* who possess special knowledge in the field of accountancy. (In 1951 the Government defined a *titular mercantil* as one who is by his training an expert in accounting, statistics, taxation and valuation.)

A *censor* must be a member of one of the forty regional bodies of *titulares mercantiles* controlled by the Consejo Superior de Colegios de Titulares Mercantiles which in effect, therefore, controls the Institute of Censores. But while it would appear that from the point of view of organization the links between the two are weak, as the members of the Institute are drawn from the ranks of the *titulares mercantiles*, there is a strong tie through the members themselves.

A *titular mercantil* who wishes to start in public practice must be entered in the register of his provincial *colegio*, which has two categories of members, those in public practice and those working in industry or in Government service.

## The Instituto de Censores Jurados

This Institute is officially recognized. It has four categories of members, viz.:

- (i) honorary members (accountants or non-accountants);
- (ii) members in public practice;
- (iii) members not in practice;
- (iv) assistant members.

In 1960 the membership was:

Members in public practice .. ..	233
Members not in practice .. ..	158
Assistant members .. ..	36

Until 1962, under the articles of association the total number of members in practice could not exceed 350, but by an amendment made in that year the number in practice is unlimited (Article 14). The Council decides the number of assistant members. It is much concerned about this category; their number is very low and the Council would like them to become regular members as soon as possible. The problem would then be solved.

## Education for the Profession

There are several methods of education for accountants:

(1) *Escuelas Tecnicas de Comercio (Technical Commercial Schools)*

These offer a course of training in preparation for the qualification of *perito mercantil*. The training includes, among other related subjects, accounting, economics and taxation law, and is more specialized than the training given at other non-vocational schools. The minimum age of admission is 14 and the period of training is three years.

With the qualification of *perito mercantil*, it is possible after a further three years' study to qualify as *profesor mercantil*. (N.B. the word *profesor* means expert and not 'professor'.) Possession of this qualification is a condition of admission to the Instituto de Censores Jurados.

These two qualifications give a right of admission to study economics and commerce at a university; the latter guaranteeing that the student has undergone the most advanced



training possible. A student who is a *profesor mercantil* at the age of 20 may obtain a doctor's degree after at least three years of university studies.

The commercial schools formerly offered courses for *intendente mercantil* and *actuario de seguros* (actuarial expert), but these were considered to be inadequate and were discontinued. Students wishing to study for these diplomas have to go to a university.

## (2) *Institutos de Enseñanza*

Two kinds of these *institutos* are of immediate interest; the *Enseñanza Media* and the *Enseñanza Laboral*, both of which may in some respects be compared with high schools.

The training at the former begins at the age of 10 and continues for six years, after which the student is a *bachiller superior*, and can begin to prepare himself for the *perito mercantil* examination at a commercial school, followed up by study for the *profesor mercantil* examination. At the end of these six years a year of pre-academic education is given to young men who want to go to a university.

Education at the *Enseñanza Laboral* also begins at the age of 10. It covers seven years and finishes with the examination for *bachillerato laboral administrativo superior* which may be compared with the *perito mercantil* examination at the commercial schools and also gives the right of entrance to a university. The whole course of training at the *Enseñanza Laboral* more closely resembles the commercial school education than that at the *Enseñanza Media*.

## University Education

As can be seen from the foregoing the three qualifications which confer the right to a university education are the *perito mercantil* and *profesor mercantil* obtained at the commercial schools, and the final diploma gained at the two kinds of *institutos*.

University education takes five years, the courses taken in the first four years being the same for all students. At the end of that time they can become *intendente* and in the fifth year they may specialize in social studies, economics, or actuarial science. They may conclude their studies by sitting for the examination for the degree of 'doctor', and if they pass they are entitled to be known as *doctorado*. It is intended that in future the universities will only prepare students for the degree of *doctorado*.

## Requirements of the Instituto de Censores

Membership of the Institute is open only to men who fulfil the following basic requirements:

- (a) Spanish nationality.
- (b) Possession of the qualification of *profesor mercantil* (unless the applicant wishes to become an assistant member).
- (c) Enrolment in the register of the Colegio Oficial de Titulares Mercantiles of the province in which the applicant is domiciled.
- (d) Possession of a *licencia fiscal*, showing that the applicant is registered with the tax authorities as being 'in practice'.

The possession of more qualifications than that of *profesor mercantil* is an asset but is not required.

Since 1945 the articles of association have required a person wishing to become a member to be an assistant member first and to do two years' practical work with a member in practice (*visor numerario*). At the end of that time he must write a thesis on a subject chosen by himself and defend it before the Technical Committee of the Institute. Generally speaking, however, this period of two years' practical work has produced little result.

## The Spanish Companies Act of 1951

For a better understanding of the functions of the *visor jurado* we must look first at the Spanish Companies Act, dated July 1951, which prescribed the legal form of limited companies. It tightened up the regulations which had been in force since 1885 and applies to all engaged in commerce. With regard to limited companies, it not only requires that the balance sheet, profit and loss account, and explanatory notes shall together give a correct view of the financial position and results, but also that the annual report as a whole shall give a fair view of the economic position of the company and its financial and economic progress. As far as the balance sheet is concerned, this principle is put into effect by Articles 102 and 105, which set out the most important requirements relating to the balance sheet and profit and loss account.

In Spain, companies have no supervisory boards comparable with the 'Raad van Commissarissen' in Dutch companies. Supervision is regulated by Article 108 which requires the annual accounts to be examined by two auditors (the Act refers to *ensores*, translated here as 'auditors'). These 'auditors' must be elected from the shareholders at the company's general meeting, and in the

event of the meeting being unable to reach unanimous agreement a minority, representing at least one-tenth of the paid-up capital, has a right to elect another auditor and deputy-auditor, who must be members of the Instituto de Censores. It should be noted that this is not the only way in which *censores* can be charged with the examination of a company's financial affairs. Under Article 108 auditors elected from among the shareholders may carry out the audit themselves but are entitled to call in the assistance of *personas tecnicas*.

The examination of company accounts, even by professional *censores*, is still limited in extent and significance.<sup>1</sup>

Article 109 of the Act further provides that one-third of the shareholders may appoint – if necessary – their own auditors for an ordinary or a special investigation. It is not stipulated that these auditors must be members of the Institute.

### Functions of the Censor

Article 3 of the articles of association of the Institute – as amended in 1962 – mentions three tasks which can only be performed by a *censor jurado de cuentas*. These are:

- (1) The audit of the annual accounts of limited companies, if the *censor* is called in under Article 108 of the Companies Act (see above).
- (2) The making, under Article 109, of ordinary or special investigations into the affairs of limited companies.
- (3) The audit of the accounts of commercial companies and the performance of other related duties, if ordered by the authorities under legal regulations.

In addition to the above-mentioned functions, the reference in Article 108 to assistance by *personas tecnicas* is an encouragement to the profession of *censor*. By introducing it the Government made a modest initial attempt to make the functions of the *censor jurado* an integral part of the business life of the country. The Act of 1951 may be said to mark the beginning of a new era of development in the accountancy profession, but the position of the *censor* is still limited.

Other than the legal prerogatives mentioned, there are no functions expressly reserved for the *censor*. In all his other activities, even in the field of accountancy, he is in competition with various other experts, e.g. *titulares mercantiles* who have not become *censores jurados*. An instance

of this is a decree of April 25th, 1953, which together with a decree of February 17th, 1955, requires assurance companies to have their books and annual accounts audited by a *profesor mercantil*, and there is no requirement that the audit must be carried out by those *profesores* who are also *censores*. While it must be admitted that there is little difference, in fact, between the work of the *censor* and the *profesor mercantil*, there is an important distinction in that under the articles of association and the professional rules and code of ethics of the Institute, the *censor* has a binding obligation to perform his professional work with the most scrupulous care and to the best of his ability. This obligation is imposed by the oath which he has to take under Article 77 of the professional rules of his Institute, and he has further to subscribe to the professional rules of conduct and ethics laid down in the *Código de Etica Profesional*. It is entirely against professional etiquette for a *censor* in public practice to do administrative work as an employee, to act as a broker, or as a commercial or insurance agent.

There are other general and specific activities which are incompatible with the duties and position of a practising *censor*. He may not appear as a solicitor in Court or before any other body having legislative or judicial powers, though a member not in practice (*censor supernumerario*) may do so. He may not be employed by a company which he is called upon to audit, and he must observe professional secrecy. Should a *censor* make a mistake for which he cannot adequately compensate, or should he be negligent in the performance of his duties, he may be excluded from the right to practise for not more than two years. Should it be found that he has deliberately entered upon a wrongful course of action or has committed a fraud, he is expelled from membership of the Institute. (Article 43 *et seq.*)

### Future Developments

The development of the profession in Spain has been retarded, mainly for two reasons: (1) for a long time the training of accountants was not on a sufficiently high level to give them a recognized position, and the organization of accountants through regional *colegios* also had an unfavourable effect; (2) for many years the business community in Spain as a whole, unlike that in Great Britain and the Netherlands, had little need for the services of professional accountants as auditors.

It may, however, be said that the outlook for

<sup>1</sup> Probleme neuzeitlicher Unternehmensführung aus der Sicht der Organisation des Rechnungswesens – Prüfung des Jahresabschlusses – Unternehmensbesteuerung, Zürich, 1961, page 195.

future professional development is favourable. After the Civil War heavy taxation, with its resulting problems, was imposed on Spanish companies, but in recent years there has been some relief. The progressive rise of the profits tax has been halted, the right to make tax-free investments up to 50 per cent of excess profits for renewal and expansion of technical equipment has been granted, and the principle of replacement value has been recognized.

Important changes have also taken place in the general business life of Spain. The country no longer occupies the somewhat isolated position that she did in relation to other countries, and protection by means of high import duties will disappear in the future. There is, moreover, steadily increasing freedom for foreign investments.

All these factors are producing a growing demand for the advice and services of *titulares mercantiles* and *censores jurados*. The Instituto de Censores realizes that there is still much room for improvement in education and practical training

for the profession, and it is of great importance that the level of instruction at commercial schools and of the courses in business economics at the universities has already been considerably raised.

The significance of the functions of the *censor*, though still in the early stages of their development, is gradually increasing. In this connection reference must be made to the considerable pressure brought to bear in recent years on the Instituto de Censores to open its doors to all *profesores mercantiles* who, in addition to their qualification, can prove that they have been in practice for a certain number of years and have a certain amount of supplementary knowledge. In 1962 the Institute agreed, and the majority of *profesores* – who number in all about six hundred and sixty – have applied for membership. The Council of the Institute has stated that it will treat such applications sympathetically, and it is hoped – this being another aim of the Council – that the admission of a considerable number of new members will help to strengthen its position.

## Weekly Notes

### NATIONAL INCOME AND BALANCE OF PAYMENTS 1963

THE Preliminary Estimates of National Income and Balance of Payments 1963<sup>1</sup> show that the gross national product, estimated from expenditure data, rose by over 5 per cent to £26,358 million in 1963. At constant prices, however, the rise was 3.5 per cent compared with only 1 per cent in the previous year.

At market prices all the main components of expenditure contributed to the rise. Consumers' expenditure, by far the largest individual item, rose by just over 5 per cent to £19,432 million; public authorities' expenditure rose by 6 per cent to £5,168 million but gross fixed capital formation and stock-building rose by only 4 per cent to £4,971 million, partly due to the effect on building work of the bad weather in the early part of the year.

Total personal income rose by 5.4 per cent but there were considerable inequalities as between the different sources of income. While salaries and wages rose by just under 5 per cent, income from self employment rose by less than 2 per cent. National

insurance benefits and other grants from public authorities increased sharply by 12.5 per cent, mainly because of the increase in rates in the first half of the year.

The balance of payments on current account showed a surplus of £121 million in 1963 compared with £102 million in 1962. However, the balance of long-term capital transactions showed a larger net outflow of £147 million in 1963 (due entirely to private investment which showed a net outflow of £42 million in 1963 compared with a net inflow of £16 million in 1962) and the balance of monetary movements was unfavourable by £155 million as against a favourable balance in 1962 of £99 million.

### GOVERNMENT EXPENDITURE BELOW THE LINE 1964-65

THE White Paper on Government Expenditure Below the Line 1964-65 continues the series first started in 1961. In the three years 1961-62 to 1963-64 about four-fifths of the total net issues below the line consisted of loans to the nationalized industries. In 1964-65 total net issues to the nationalized industries, that is issues less receipts, are expected to amount to £573 million compared with £432.2 million in 1963-64.

The Electricity Council accounts for the largest share, £352 million in 1964-65 compared with £250 million in 1963-64. This is followed by the Post Office with £100 million compared with £65 million; British Railways Board, £30 million compared with

<sup>1</sup> Cmnd 3238. H.M.S.O. Price 1s 9d.

nil; the South of Scotland Electricity Board, £25 million compared with £36 million and the Gas Council, £21 million compared with £69 million. The National Coal Board is expected to make a net contribution to the Consolidated Fund of £13 million compared with £17 million in 1963-64.

Loans to other public bodies are expected to amount to £165 million (net) the most important items being loans to local authorities (£127 million) and to new towns (£40 million). The Iron and Steel Holding and Realization Agency contributed £30 million to the Consolidated Fund. Of the remaining items of net below-the-line expenditure the major ones in 1964-65 are expected to be £55 million under the Export Guarantees Acts, £29 million under the Shipbuilding Credit Scheme and £17 million for repayment of post-war credits. Total net issues in 1964-65 are expected to amount to £858 million compared with £551.3 million in 1963-64.

### EXCHANGE CONTROL ON PROPERTY SALES

THE Treasury has announced certain changes in Exchange Control regulations which came into effect last Monday. The Bank of England will now usually give permission for the foreign exchange proceeds of the sale or liquidation of direct investments outside the Scheduled Territories by residents in the U.K. to be disposed of as a 'switch' or 'investment' foreign currency. The same permission will extend to the same kind of foreign currency arising up to a reasonable amount for the purchase of houses or flats (or land for the same) outside the Scheduled Territories. Applications have to be made through authorized depositories. Normally, approval will be limited to one property for any one family and in each case the permission of the Bank of England must be obtained. Finally, the present arrangement by which all official exchange has been made available for the purchase of houses by those obliged to live abroad for reasons of health will be discontinued.

The amount of foreign exchange involved in these alterations is not expected to be large. In fact, cases on the official reserves and on the 'switch' market are expected roughly to cancel out.

### OUTCOME OF THE FISCAL YEAR

THE Exchequer returns for the fiscal year 1963-64 have now become available. So far as above-the-line revenue is concerned, income tax produced £2,745 million which was slightly below Budget estimates and indeed total inland revenue receipts at £3,711 million compared with a Budget estimate of £3,729 million. On the other hand, revenue from Customs and Excise was £2,766 million compared with a Budget estimate of £2,732 million and taking in miscellaneous receipts the year finished up with total revenue of £6,890 million compared with an estimate of £6,839 million.

On the expenditure side, the Consolidated Fund Services accounted for £817 million compared with

a Budget estimate of £790 million. The Supply Services were also slightly down on the estimated figure and defence accounted for £1,788 million compared with £1,838 million. Total expenditure was £6,817 million compared with the estimate of £6,929 million.

There was thus a surplus of about £73 million above the line compared with a deficit of £90 million as estimated.

So far as below-the-line items were concerned the outcome showed a slightly smaller total of net payments than had been estimated in the Budget. There were significant falls in advances to the electric power industry but the Gas Council required additional finance. Both British Overseas Airways Corporation and British European Airways Corporation required less money and there was a drop in allocations to other public utilities. The vagaries of the sugar market forced a big increase in advances to the Sugar Board and there was a substantial increase in loans to local authorities but loans to new towns development corporations were down. In the case of loans for overseas assistance both those to colonial governments and those given under the Export Guarantees Acts were significantly down. Below the line there were therefore some useful improvements in the amount of money which had to be advanced to nationalized industries. So far as above-the-line expenditure is concerned, and it may also apply to some extent to below-the-line outlay, some of the savings are not true savings but represent only delay in public expenditure. They signify, in fact, an inability of the public sector so far as investment is concerned to generate as large an impetus to the economy as had been planned in the Budget.

### FREEDOM FOR TRADING STAMPS

TRADING stamps, states the author of *The Role of Trading Stamps in Retail Competition*, just published by The Institute of Economic Affairs<sup>1</sup>, are merely one instrument of competition among many. Their effectiveness in benefiting the retailer using them to promote his sales will be most evident in the case where overhead costs are high, and a sustained high consumer demand is necessary.

Fears have been expressed at the possibilities that trading stamps will affect adversely the structure of retail trade and limit consumer freedom. Such fears, contends the author of this paper, are groundless. There is no evidence from American experience of trading stamps during the past decade that prices have risen following their introduction. Nor is there any significant contraction of consumer freedom in terms of the number of retail outlets which do not use stamps. The consumer is still free to choose the shops she wishes to patronize.

On the proposal that legislation should be enacted to restrict the use of stamps, the author contends that in practice such legislation tends to perpetuate the *status quo*, thereby protecting the retailer against the

<sup>1</sup> Eaton Paper No. 3, by Mrs Christina Fulop. Price 7s 6d.

wind of change, rather than the consumer. In any case, such legislative action would be complicated by the need to cover other promotional devices such as the Co-op dividend. On the other hand, the author feels that the trading stamp companies should publish their audited accounts, although it would not be in the best interests of consumers if Parliament were to lay down a specified cash option in lieu of goods for stamps.

## RETIREMENT ANNUITY RELIEF

A NEW extra-statutory concession relating to Retirement annuity relief was announced by the Board of Inland Revenue on Tuesday. The terms of the concession are set out on another page of this issue, together with the additions and alterations to the list of concessions contained in the Board's 106th Report recently published.

# This is My Life . . .

by An Industrious Accountant

## CHAPTER 219

THIS problem of stock-control is still causing us headaches, particularly after the disastrous reception accorded to the triangular demonstration of the departmental accountant. We've got to turn our average stocks six times yearly at least, seven times preferably, and all the specious arguments put forward by Scotty, the sales manager, have been rejected. He believes in buying by guess or by God; we accountants believe in method and order. The ideal solution is probably midway between the two extremes. Meantime, we've told Scotty with unpalatable bluntness that every item lying on the shelves for over two months will be reported to the board.

We don't really intend to, and he doesn't quite believe us, but the threat has been afforded publicity throughout the store, thus proving just as effective a spur as its implementation would be.

However, needs must when the devil drives, and Scotty has taken the hint. He entered my office jubilantly recently, brandishing an invitation to a lecture on stock control which, he urged, we both should attend; the lecturer was apparently a specialist in the subject, with international affiliations and consultancy experience. I pleaded a busy schedule; he countered, with an offer to stand me dinner before the talk; I accepted.

Anyhow, the lecturer was fluent, affable, and impressive, selling his system and himself enthusiastically. Control by equation, he preached; draw graphs when in doubt; dropping a perpendicular will solve all problems. Experience, discretion and market knowledge he considered relatively unimportant by comparison, and the accountants in the audience exchanged quizzical eyebrow elevations. (Maybe, we

hinted, he had in his time dropped more than perpendiculars.)

However, he was explaining his formulas for assessing optimum quantity-buying and shortage-cost, by probabilistic coefficients, illustrating them by copious mimeographed handouts. Let A. be the optimum quantity required, let B. be the total requirement for the batch-rotation - cycle C.; let E. be the inter-cycle interval between placing orders in standard batches (divisible by one hundred obviously for unit evaluations, as must be clear to the meanest intelligence) and therefore the shortage-cost unitwise, easily solved by differential calculus . . . and so on.

Furtive scrutiny of the faces around me was revealing. Judging by the frozen stares and the startled eyes there was a good sprinkling of 'meanest intelligences' in attendance. Scotty beside me looked paralysed with shock. I dragged my mind back to the lecturer.

He was sketching complex fractional/decimal equations on the blackboard - 'Programming of basic ordering procedures may be facilitated by appreciation of the importance of calculating the square-root in this equation of the deterministic model . . .'. I realized with a shock I had lost the thread of the argument. There was only one solution. Stand up quick, innocent but bewildered expression, nice smile . . . 'Please, Mr Lecturer, to what components of what value of what finished products is this procedure normally applicable?'

A surprised blinking from the audience, a chuckle from Scotty ('cut the loon down tae size, laddie'); a smiling reply from the lecturer. 'Operational research is essentially non-static, owing to the probability function lead-time-wise. You might benefit from studying this excellent U.S. publication indicating the applicability of the Poisson Distribution to your particular retailing case. . .'. I sit down completely baffled, cut down to size effectively. He has a brilliant solution, but the problem seemed to be simple.

All this highfalutin jargon to complicate a straightforward operation . . . in terms of efficient productivity, should we replace our managers by a team of mathematicians, draftsmen, computer operators, curvature experts? I console my dejected colleague with the anecdote of the U.S. Civil War general who won his victories by relying on the terse axiom: 'I gits thar fustest with the mostest.'

# Inland Revenue Extra-statutory Concessions

In Operation at December 31st, 1962

*The following additions and alterations to the list of extra-statutory concessions are reproduced by permission of the Controller of H.M. Stationery Office, from the 106th Report of the Board of Inland Revenue for the year ended March 31st, 1963. The concessions are of general application, but it must be borne in mind that in a particular case there may be special circumstances which will require to be taken into account in considering the application of the concession.*

## ADDITIONS INCOME TAX

### 40. Double taxation relief: credit for underlying tax

#### (a) United Kingdom companies' non-resident subsidiaries

Where a United Kingdom company either controls not less than half the voting power in an overseas company, or controls not less than a quarter and is subject to a local limitation which prevents it from controlling more, then in computing the credit available to the United Kingdom company in respect of dividends (of any class) from the overseas company, tax payable by the overseas company, whether in the country of its residence or a third country, is taken into account. In practice the credit also takes account of tax paid in the same or another country by a subsidiary of the overseas company (i.e. by a subsidiary of the United Kingdom parent company) provided that the same condition as to control is satisfied; and similarly for tax paid by subsidiaries at further removes from the United Kingdom parent.

#### (b) Overseas dividends generally

Where a United Kingdom resident receives dividends on a holding of ordinary shares (including the participating part of participating preference dividends) in a company resident in an overseas country which is within the Commonwealth, or with which the United Kingdom has an agreement which so provides, the credit legally due against United Kingdom tax chargeable takes into account, in addition to any direct tax on the dividends, the indirect tax payable by the company in the other country on its profits. In practice, if the company's profits include dividends on such a holding in a second company resident in the same or another overseas country, both the direct tax charged on the dividends and the indirect tax payable on the profits of the second company are also taken into account, provided that all the countries concerned are of the type referred to: and similarly for tax relating to dividends and profits of companies at further removes along any chain of shareholdings.

### 41. Loss relief for capital allowances unused on the cessation of a business

Section 20 of the Finance Act, 1954, adjusted by section 18 of the Finance Act, 1962, enables capital

allowances to be taken into account in arriving at the amount of loss on which relief is given, under section 341 of the Income Tax Act, 1952, against the tax on the trader's aggregate income. When there is a trading profit, loss relief is given on the excess of the capital allowances over the trading profit of the same basis period and normally the capital allowances up to the amount of the trading profits are relieved by being set against those trading profits (resulting in a nil assessment). Where, however, there are capital allowances brought forward from earlier years, these must be allowed in the assessment in priority to the current allowances and the current allowances, so far as they cannot be set against the assessment, must in turn be carried forward. In a year of cessation no such carry forward of these unused current allowances is possible. Relief may be due for them under section 18 of the Finance Act, 1954, (terminal losses) but so far as it is not, relief will be lost. Where there would otherwise be a loss of relief, it is the practice in the calculation of the loss, for the purposes of section 341, to treat the profits of the final year as reduced by the amount of capital allowances brought forward, thus increasing the amount of the capital allowances for the final year which are available for loss relief.

## ESTATE DUTY

### 19. Sale of controlling shareholdings

Where the same person has to bear both estate duty on the value of shares and debentures to which section 55, Finance Act, 1940, applies, and any income tax payable by virtue of section 22, Finance Act, 1960, on a sale of those shares or debentures, so much of the estate duty may be repaid as is attributable to the income tax paid or to the income tax that would have been incurred had the shares or debentures been sold at the time of the deceased's death for their estate duty valuation, whichever is the less.

## ALTERATIONS INCOME TAX

Concession No. 18 has been amended. The revised version is reproduced below.

### 18. Expenses allowances and benefits in kind

Under Chapter II of Part VI of the Income Tax Act, 1952, expenses allowances and benefits in kind received by directors and (with certain exceptions)

by senior employees are assessable to tax as emoluments of the director or employee, subject to a deduction for expenses incurred which satisfy the conditions laid down in Paragraph 7 of the Ninth Schedule to the same Act. The following relaxations are made in practice:

- (a) No assessment is made in respect of removal expenses borne by the employer where the employee has to change his residence in order to take up a new employment or as a result of transfer to another post within an employer's organization provided that the expenses are reasonable in amount and their payment is properly controlled. 'Removal expenses' includes such related items as a temporary subsistence allowance while the employee is looking for accommodation at the new station.
- (b) Where the benefit assessable consists of a rent-free house, the director or employee is chargeable on the annual value (or the rent paid by the employer) and on expenses borne by the employer, such as rates. The amounts charged on the employee are restricted in the case of a patently old-fashioned and too large house.
- (c) Under section 161 (3) of the Income Tax Act, 1952, living accommodation provided for an employee (as distinct from a director) in part of the employer's business premises is exempt from charge under Chapter II of Part VI where certain conditions are satisfied. In practice the exemption is also allowed in the case of a full-time director of a company whose beneficial shareholding does not exceed 5 per cent of the ordinary share capital, unless his emoluments (including the value of benefits within the scope of Chapter II) exceed £2,000.

## NEW CONCESSION

The following new extra-statutory concession was announced by the Inland Revenue last Tuesday.

### INCOME TAX

#### Retirement Annuity Relief

Under sections 22-23, Finance Act, 1956, an individual who is taxable in respect of earned income from a trade, profession, vocation or non-pensionable employment may be allowed a deduction, from his net earnings for any year, of the amount of any premium he pays in that year under an approved contract for a life annuity on retirement.

In general, section 23 (1) restricts the allowable deduction to 10 per cent of the net earnings from the trade etc., for the year in which the premium is paid, with an overriding limit of £750. (For persons born in or before 1915 these limits are increased; the maximum percentage is 15 per cent of net earnings, up to a limit of £1,125, and this applies in the case of persons born in 1907 or before). Section 23 (2) provides that where the qualifying premium paid in

any year cannot be allowed, or cannot be wholly allowed, as a deduction from that year's net earnings solely because it exceeds the relevant percentage of that year's net earnings, the unallowed portion shall be carried forward to the next year and treated as if it were a qualifying premium paid in that year, and so on for succeeding years, if necessary.

Where for any year the overriding limit (e.g. £750) applicable in the particular case is exceeded solely by reason of unrelieved premiums brought forward from earlier years, the position in strict law is that the excess over the overriding limit cannot be carried forward to subsequent years and relief is therefore lost. In practice, however, an excess arising in 1963-64 or a subsequent year will be allowed to be carried forward.

## Finance and Commerce

### J. Coral

ANOTHER example of an accountants' report taken from a public prospectus provides this week's reprint. The company is J. Coral Ltd, bookmakers and fixed odds football betting promoters. Issued capital is £175,000 in 1s Ordinary shares, 900,000 of which were offered for sale by Investment Registry at 7s 1½d each. There were 20,538 applications from the public for 47,256,000 shares and the allotment was by ballot. The shares opened on the London Stock Exchange at 8s 6d.

Quite apart from the fact that accountants' reports for prospectus purposes have a particular interest, the setting up and the development of this betting business is a story in itself.

Joe Coral, now 59, started as a bookmaker in 1926, the year he ceased to be an 'infant in law'. He had been working in a factory where he varied the monotony by collecting workmates' bets for placing with the local street bookie. He thus had first-hand experience of the fact that for bookmakers a head for figures is a wonderful asset. He, himself, has said: 'I'm no judge of form at all. I lay to figures.'

### Credit and Cash

The Coral business became a limited company in 1954. Fixed odds football betting had been offered to clients for some years but that year, Mr Lewis Cohen joined Coral and the first Coral coupon was compiled. In 1959 the company took over L. W. Granard Ltd, credit bookmakers in Bishopsgate, London. The Betting and Gaming Act was passed in 1960 permitting the operation of cash betting offices



and Coral has twenty of them, with more planned. The present company was incorporated on January 1st, 1963. At the present time, 60 per cent of turnover from the racing side of the business is from credit betting and 40 per cent from cash betting offices.

There are no bad debts in cash betting, the prospectus pointed out, and the amounts not recovered from credit clients over the last five years have totalled less than 1 per cent of all sums due.

On the football betting side, collectors are employed, each responsible for the distribution and collection of their own batch of coupons; established bookmakers are also used as agents. Each agent at the beginning of the season elects to take his remuneration either by agreed commission on turnover or by an agreed percentage of gross profit accruing at the end of the season on coupons submitted by him. If the result should be a loss on the coupons, the agent is not responsible. There are now some 2,400 bookmakers and collectors.

### Guaranteed Odds

The growth in the racing side results in the last five years can be seen in the reprint. The trend is expected to continue. Football betting results show variation, attributed to 'the special nature of this type of betting where guaranteed predetermined odds are offered for the correct forecasting of the results of football matches'. If results accord to form, there may be a very high number of clients winning at guaranteed odds. This happened in the first half of the football season in the year to June 1963, and then the arctic winter put paid to football business.

Group profits before tax for the six months to December 1963 amounted to £248,113; £72,085 from horse and greyhound racing and £176,028 from fixed odds football betting. The prospectus dividend forecast of 50 per cent was based on a prospective profit figure of £250,000 for the year to June 1964, with a proviso about 'any change in the direct or indirect taxation of betting'.

### J. CORAL LIMITED

Extract from offer for sale of 900,000 ordinary 1s shares at 7s 1½d by Investment Registry Limited.

**ACCOUNTANTS' REPORT.**—The following is a copy of the Joint Report from Stoy, Hayward & Co., who were appointed Auditors of the Group in 1963, and Price Waterhouse & Co., the Accountants reporting to Investment Registry Limited:—

The Directors,

J. CORAL LIMITED

and

INVESTMENT REGISTRY LIMITED

3rd March, 1964.

GENTLEMEN,

We have examined the books and audited accounts of J. Coral Limited (the Company) and its subsidiaries (together referred to as the Group) for their respective financial periods since incorporation or acquisition covering the period of eight years and two months ended 30th June, 1963. The Company was incorporated on 1st January, 1963, and acquired, with effect from varying dates in 1962, the whole of the issued share capitals of the following subsidiaries for a consideration consisting of fully paid Ordinary Shares of the Company:—

Horse and greyhound racing: Joe Coral Limited, L. W. Granard Limited, E. Fry Limited. Fixed odds football betting: Joe Coral (Football) Limited.

#### Profits

The profits (losses) of the horse and greyhound racing subsidiaries and of the fixed odds football betting subsidiary, arrived at on the basis stated below, were respectively as follows:—

Horse and greyhound racing	£	Fixed odds football betting	£
Year ended 30th April, 1956 .....	16,364	Year ended 30th June, 1956 .....	2,851
" " " " 1957 .....	5,727	" " " " 1957 .....	1,031
" " " " 1958 .....	5,404	" " " " 1958 .....	2,945
" " " " 1959 .....	7,640	" " " " 1959 .....	14,037
" " " " 1960 .....	32,800	" " " " 1960 .....	50,140
" " " " 1961 .....	35,297	" " " " 1961 .....	25,320
" " " " 1962 .....	36,911	" " " " 1962 .....	128,751
14 months ended 30th June, 1963 .....	85,154 (see note below)	" " " " 1963 .....	(41,969)

NOTE.—The profits of the horse and greyhound racing subsidiaries

for the two months ended 30th June, 1962, were approximately £4,000

and for the two months ended 30th June, 1963, were approximately £35,000.

The profits (losses) set out above are stated before deducting taxation but after charging all expenses of working and management including depreciation, amortisation, directors' emoluments and horse race betting levy, and after making such adjustments as we consider appropriate. The accounts of Joe Coral Limited were prepared to 30th April in each year to 1962 after which the year end was changed to 30th June.

The results of a cash betting stand at Walthamstow Greyhound Racing Stadium which was carried on independently from the main business of the Group and was discontinued on 30th April, 1962, have been excluded from the profits shown above. The detailed accounting records of this business are no longer available, and, therefore, we are unable to report on its results for each of the seven years ended 30th April, 1962. The net aggregate loss of this business for the seven-year period based on the amounts included in the audited accounts of Joe Coral Limited was £13,534.

The aggregate emoluments of the Directors of the Company for the year ended 30th June, 1963, amounted to £16,608. Under the arrangements now in force their emoluments would have amounted to £25,500.

The profits of the Company for the period from its incorporation on 1st January, 1963, to 30th June, 1963, amounted to £8,000 being a dividend received from a subsidiary, the whole amount of which, after deducting income tax, has been paid as a dividend to shareholders of the Company.



If there is one conclusion from the accounting angle that can be made, it is that in such a business as that of J. Coral there would seem to be no impediment to the production of the company's results to its shareholders very shortly after accounting date. The very nature of the business demands prompt accounting.

### Pricerite

IN this matter of prompt accounting, a company called Pricerite Ltd seems to be starting off on the wrong foot. Pricerite 2s shares were offered for sale in May 1963 at 12s 6d each. There was a rush for the shares. Their present price is about 19s. Many readers have probably met the business of supermarkets and self-service stores concentrating 'solely on the sale of food in all its aspects' when they have been taken shopping.

There was an announcement in the Press recently about the opening of a new supermarket in Salisbury with news that stores of the same type were coming in

Southampton and Esher. And then the last paragraph said that the results for 1963 were expected to be ready next June. The accounting date is December 31st.

This is a business in which those who manage it take pride in their internal accounting system. It has a warehouse and central distribution centre at Swanley, in Kent, supplying the retail outlets, fitted up with 'all modern facilities for the handling of stock which is controlled by a punched-card system. Stock control is vital. Stock is money and the greater the efficiency in its use, the better the business'. A simple business principle.

At the other end of the distribution line - the shop counter - it would appear to be entirely a cash business and the returns from branches should enable head office to size up the position of the whole business in 'next to no time', to use a familiar phrase.

In such a business as this, there would seem to be something wrong somewhere if it takes six months to report to shareholders.

### Net Assets

The net assets of the Company and of the Group based on the amounts shown in the audited balance sheets at 30th June, 1963, were as follows:—

THE COMPANY		THE GROUP		
£	£	Cost £	Depreciation and Amortisation £	£
	<b>FIXED ASSETS</b>			
	Freehold premises .....	34,756	—	34,756
	Leasehold premises .....	19,803	4,281	15,522
	Office and shop fixtures, fittings, equipment and motor vehicles .....	137,320	31,196	106,124
		<u>£191,879</u>	<u>£35,477</u>	<u>156,402</u>
	<b>INTERESTS IN SUBSIDIARIES</b>			
158,566	Shares at cost .....		—	—
4,900	Amounts owing .....		—	—
<u>163,466</u>				
	<b>CURRENT ASSETS</b>			
	Amounts due from clients .....		45,022	
	Debtors, deposits and pre-payments .....		23,805	
	Loans to local authorities .....		75,000	
	Balances at bank and cash .....		33,799	
			<u>177,626</u>	
	<b>Deduct: CURRENT LIABILITIES</b>			
	Bank overdraft .....		13,203	
455	Creditors and accrued expenses .....		53,723	
	Directors' accounts .....		15,694	
	Taxation .....		73,741	
4,900	Dividends less income tax (since paid) .....		4,900	
	Dividends less income tax (since paid) to former shareholders in subsidiaries .....		11,637	
<u>5,355</u>			<u>172,898</u>	
	<b>NET CURRENT ASSETS</b> .....			<u>4,728</u>
				<u>161,130</u>
	<b>Deduct: Amount set aside for future Income Tax 1964/65 (including taxation deferred by capital allowances—£4,000) .....</b>			<u>30,500</u>
				<u>£130,630</u>
	<b>NET ASSETS</b> .....			
	<b>REPRESENTING</b>			
32,237	Share capital .....			32,237
126,331	Share premium account .....			126,331
	Reserves .....			1,409
<u>158,568</u>				<u>159,977</u>
457	<b>Less: Goodwill and preliminary expenses</b> .....			<u>29,347</u>
<u>£158,111</u>				<u>£130,630</u>

NOTE: The cost of shares in subsidiaries has been arrived at on the basis of the book amounts of the net assets of subsidiaries at their respective dates of acquisition including £26,033 for goodwill.

### Dividends

A dividend was paid on the issued Ordinary Share capital of £32,237 of the Company, at the rate of 2½ per cent., less income tax, for the period ended 30th June, 1963.

### Accounts

No accounts for submission to the members have been made up for any period subsequent to 30th June, 1963.

Yours faithfully,

STOY, HAYWARD & CO.,  
PRICE WATERHOUSE & CO.,

Chartered Accountants

## CITY NOTES

THE two-way pull in stock-markets between news of higher industrial profits and dividends on the one hand and political doubts on the other, is still reasonably even. The Greater London elections, the Budget and the timing of the General Election, however, are tending to increase the political pull and to erode the power of good company news.

Turnover in equities is still thin and relatively sharp price movements turn on the result of short-term business acting against the jobbers' natural inclination, under present circumstances, to keep their books as even as possible.

There is a current theory that even if a Labour Government is returned it will be with a slender majority and will therefore not be in a position to introduce anti-capital legislation to any major degree. Whether or not the theory holds water is debatable, but at least it shows an investment tendency to look on the bright side.

Meanwhile, in the gilt-edged market, conditions remain relatively firm, reflecting both the underlying tendency for funds to move to Government stocks on a safety basis and also the strength of sterling.

The March gold and currency reserve position was satisfactory and the Bank rate move to 5 per cent can be seen in retrospect as a nicely timed operation. For the time being, at least, the fear that a further Bank rate increase may be necessary later in the year is being kept in the background.

BANK rate at 5 per cent is having some belated repercussions. The Halifax Building Society was clearly caught on the wrong foot by the Bank rate rise. After only two months on a  $3\frac{1}{4}$  per cent tax free investment basis the Halifax has returned to the

currently accepted normal of  $3\frac{1}{2}$  per cent tax free. Last October the Society announced that interest rates would be reduced from February 1st, 1964, as a measure to put the brake on the pace of growth. However, interest rate events caught up with the Halifax which was quickly put into the position of attracting more than its share of mortgage demand but less than its share of new investment money.

CAR hire-purchase rates are also rising as a direct result of the Bank rate increase. Some leading hire-purchase finance companies have already raised their interest rate on new cars from  $7\frac{1}{2}$  to 8 per cent, and others are likely to follow suit.

New car hire-purchase sales are running some 40 per cent above last year's levels and it is considered doubtful whether higher interest rates will pull down the increased sales rate to any great degree.

AFTER the rush which took place before Easter, the new issue pace has slowed down. There is currently a divergence of opinion among issuing houses on whether it is wise or not to bring forward new share offers at this juncture.

While some houses are prepared to go ahead with new public company share issues, regardless of stock-market and political conditions, others are more inclined to hold new issues back until the political – and with it the market – outlook is clarified.

There is something to be said for both points of view. The decision to go ahead can be based readily enough on the fact that there is still sufficient speculative interest to carry new share offers.

## RATES AND PRICES

Closing prices, Wednesday, April 8th, 1964

Tax Reserve Certificates: interest rate 28.3.64  $2\frac{1}{2}$ %

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 $\frac{1}{2}$	Frankfurt	11.12 $\frac{1}{2}$
Oct. 5, 1961	6 $\frac{1}{2}$ %	April 26, 1962	4 $\frac{1}{2}$ %	Montreal	3.02 $\frac{1}{2}$	Milan	1749
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.09 $\frac{3}{4}$	Oslo	20.00 $\frac{1}{2}$
Mar. 8, 1962	5 $\frac{1}{2}$ %	Feb. 27, 1964	5%	Brussels	139.36 $\frac{1}{2}$	Paris	13.71 $\frac{3}{4}$
				Copenhagen	19.31 $\frac{1}{2}$	Zürich	12.10 $\frac{1}{2}$
Treasury Bills				Gilt-edged			
Jan. 31	£3 15s	2.01d%	March 6	£4 6s	0.42d%	Consols 4%	66 $\frac{1}{2}$
Feb. 7	£3 15s	5.97d%	March 13	£4 5s	11.85d%	Consols 2 $\frac{1}{2}$ %	42 $\frac{1}{2}$
Feb. 14	£3 15s	6.84d%	March 20	£4 5s	11.94d%	Conversion 6% 1972	104 $\frac{1}{2}$
Feb. 21	£3 15s	8.80d%	March 26	£4 6s	0.41d%	Conversion 5 $\frac{1}{2}$ % 1974	100 $\frac{1}{2}$
Feb. 28	£4 6s	1.66d%	April 3	£4 6s	0.12d%	Conversion 5% 1971	99 $\frac{1}{2}$
						Conversion 3 $\frac{1}{2}$ % 1969	91 $\frac{3}{4}$
						Conversion 3 $\frac{1}{2}$ %	58 $\frac{1}{2}$
						Funding 5 $\frac{1}{2}$ % 82-84	98
						Funding 4% 60-90	93
						Funding 3 $\frac{1}{2}$ % 99-04	66 $\frac{1}{2}$
						Funding 3% 66-68	91 $\frac{1}{2}$
						Funding 3% 59-69	90 $\frac{1}{2}$
						Savings 3% 60-70	87 $\frac{1}{2}$
						Savings 3% 65-75	79 $\frac{1}{2}$
						Savings 2 $\frac{1}{2}$ % 64-67	93
						Treas'y 5 $\frac{1}{2}$ % 2008-12	93 $\frac{1}{2}$
						Treasury 5% 86-89	89
						Treasury 3 $\frac{1}{2}$ % 77-80	78 $\frac{1}{2}$
						Treasury 3 $\frac{1}{2}$ % 79-81	77 $\frac{1}{2}$
						Treasury 2 $\frac{1}{2}$ %	42 $\frac{1}{2}$
						Victory 4%	96 $\frac{1}{2}$
						War Loan 3 $\frac{1}{2}$ %	59 $\frac{1}{2}$
Money Rates							
Day to day	3 $\frac{1}{2}$ -4 $\frac{1}{2}$ %	Bank Bills					
7 days	3 $\frac{1}{2}$ -4 $\frac{1}{2}$ %	2 months	4 $\frac{1}{2}$ -4 $\frac{3}{4}$ %				
Fine Trade Bills		3 months	4 $\frac{1}{2}$ -4 $\frac{3}{4}$ %				
3 months	5 $\frac{1}{2}$ -6%	4 months	4 $\frac{1}{2}$ -4 $\frac{3}{4}$ %				
4 months	5 $\frac{1}{2}$ -6%	6 months	4 $\frac{1}{2}$ -4 $\frac{3}{4}$ %				
6 months	6-7%						

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Consolidation in Accounts

SIR, — I have read the review of the *Journal of Accounting Research*, Vol. 1, No. 2, appearing in your issue of February 1st.

I cannot, however, understand the two criticisms of E. J. Smolinski's article, 'The Adjunct Method in Consolidations', and I wonder whether your reviewer would enlarge on his views.

Personally I thought the article excellent.

Yours faithfully,  
B. J. S. WIMBLE,

DEPARTMENT OF ACCOUNTING,  
UNIVERSITY OF THE WITWATERSRAND.

Johannesburg.

[Our reviewer writes: Mr Smolinski's article on 'The Adjunct Method in Consolidations' attempts to produce a method of consolidating accounts which would overcome two objections to the integral consolidation procedure. These objections, as I understand him, are:

- (1) That the integral procedure produces odd results, chiefly by understating group assets and group profits.
- (2) That the use of this procedure contravenes legal doctrines protecting the interests of minority shareholders.

As far as (1) above is concerned, the point is made chiefly by means of the examples on pages 176–178, demonstrating an unrealistic result arising through integral consolidation. The error which produces this result comes from the elimination of unrealized inter-company profit *during* the combination part of the consolidation process. This may be a common enough practice, but it is preferable to tackle each of the parts of the consolidation procedure separately, viz. elimination, substitution, combination, separation. The inter-company transaction from which the unrealized profit stems should be eliminated in the individual company work-sheets prior to consolidation, not only to avoid errors of this type but also for the basic avoidance of double-counting. Schedule 2 would then appear thus:

	Majority 75 per cent	Minority 25 per cent	Total
Book balances Decem- ber 31st, 1961:			
Parent ..	200,000		200,000
Subsidiary ..	15,000	5,000	20,000
	215,000	5,000	220,000
Interest in capital stock	—	50,000	—
Total minority interest		55,000	

We now can consider the more difficult problem posed by (2) above. The theoretical argument put forward by Mr Smolinski rests upon a series of quoted United States cases which appears to establish that a sort of trust reposes on the majority shareholders for the benefit of the minority. I am unable to assess the validity of this position as applied to the United States, but there is no comparable equitable jurisprudence in Britain, and neither statute, nor case law would place any duty upon the company to account for unrealized inter-company profits of subsidiaries. Whether such a duty would lie upon the directors or officers is probably a question of fact but, in the absence of fraud, I should think that it would not.

Further, given the position in the United States as outlined by Mr Smolinski, I regard the proposed solution as bad accounting, because it is based upon a false construction of the total legal position of companies and groups. The separate personalities of the company and its shareholders is a commonplace of law; although only finally established in Britain in 1897 by the case *Salomon v. Salomon Ltd*, it has been well established in continental jurisprudence since St Thomas Aquinas, if not before. From the viewpoint of the company, its shareholders represent a corpus of contingent claims which can become legal rights only when the directors declare a dividend, or the company goes into litigation. Apart from this, the shareholders have voting and other rights as laid down in the relevant statutes and the company's charter, or memorandum and articles. These are construed rather narrowly by the Courts.

The company, then, is a legal person; the group is not. But it is on the way to becoming a separate legal entity and the first step on this way was to regard it as an accounting entity. The accounting entity is a separate person from both its shareholders and its constituent companies. The minority shareholders are not shareholders in the group but in the now to be disregarded constituent companies. What, then, is the status of their claims? In British law, the answer would appear to be 'Not much.' They would not be able to enforce any rights against the group except in so far as they have limited powers given by the Companies Act, 1948, to require fair treatment by a constituent company of which they are members.

Nevertheless, from the point of view of the group there may exist conditions which require the constituent company of which they are members to declare a dividend and to make a payment to minority shareholders. At this point we are faced with a valuation problem, which may affect any asset of the group. Let us confine our attention to the inventory question. In the first place, the value of the inventory to the group is not the same as its value to the company from which it originated, so that other costs, besides minority shares of inter-company profit, fall to be considered at this stage. If one of the additional costs is a distribution to minority shareholders, then in my opinion the correct way to reflect this in the accounts of the group is not to increase the minority interest figure, but by means of a classical accounting provision.

The reason for this is clear. Whereas minority interests are part of the long-term capital structure of the group, the liability for the dividend is a current one, and should be shown separately therefrom in the balance sheet.]

### Organization Charts

SIR, - The interesting observations of Mr R. Ian Tricker, A.C.A., F.C.W.A., in his letter which appeared in your April 4th issue, emphasize only certain aspects of the use of organization charts. Undoubtedly the features which he has mentioned can be found in some organizations, but equally it can be said that in some organizations the limits of authority by which the staff can communicate both vertically and horizontally are strictly defined.

Readers will appreciate that within the limits of space, the treatment of any subject which is not capable of finite conclusions can at best be only superficial and not dealt with in depth. The main theme of my article in your March 21st issue was to illustrate that organization charts, together with any peripheral techniques, can be employed with

advantage to improve the present and future structural and communication system of an organization. Far too often organization charts, if prepared at all, remain a top secret, locked away from public eye.

The application of any technique which can be considered to assist management to manage to better effect must of necessity be styled to suit the particular requirements of the organization. Certainly the organization should not be changed to conform to a text book thesis. The only danger is to believe that any problem can be classified under two headings - black or white; there are indeed a hundred and one differing shades of grey between the two extremes.

Yours faithfully,

F. R. GOODEY, F.C.W.A., F.C.C.S.

*Sunbury-on-Thames, Middlesex.*

### FOR STUDENTS

## Piloting the Budget through Parliament

**B**OUGE is an old French word which means 'a small bag'. 'Budget' in contemporary English denotes a financial plan of some kind. Families, if they are prudent, work to a budget, and systems of 'budgetary control' are now an integral feature of most business undertakings. The State, considered by many - and not without some reason - to be far from efficient in matters of finance, also has a Budget - an annual reckoning that affects everyone.

### The Estimates

Preparatory work on the national Budget usually begins early in February. Estimates are then submitted to the House of Commons which, forming itself into a Committee of Supply, considers and debates them in detail. The Estimates are printed and each volume bears the words 'Presented by Command of Her Majesty', for they contain details of the moneys which the Crown is asking the Commons to grant for the purpose of keeping the State apparatus in working order for another financial year. The year, from April 1st to March 31st, is regarded as a self-contained period - nothing, whether surplus or deficit, being carried over.

The Estimates are bound and published in five volumes, as follows: (1) Army estimates, (2) Navy estimates, (3) Air estimates, (4) Civil estimates, and (5) Defence estimates. The Civil estimates are broken down into ten 'classes': (i) Central Government and Finance, (ii) Commonwealth and Foreign, (iii) Home Department, Law and Justice, (iv) Education and Broadcasting, (v) Health, Housing and Local Government, (vi) Trade, Labour, Materials and Supply, (vii) Common services (such as works and stationery), (viii) Agriculture and Food, (ix) Transport, Fuel, Power, and Industrial Research, and (x) Pensions, National Insurance, and National Assistance. Each of these classes is subdivided into 'votes', each of

which (representing a Government department) is further subdivided.

Whilst the Crown (through its Ministers) presents the estimates, they must be approved by the House of Commons, the final authority on all matters of finance, before any action on them can be taken.

### The Consolidated Fund

There are two main categories of public expenditure: first, the variable expenditures which are covered by the estimates as enumerated above; secondly, the more or less permanent expenditures, such as interest on the National Debt, which go on regularly year after year. The former are known as Supply Services, the latter as Consolidated Fund Services - and there is a distinction here which is important and should be noted.

The Consolidated Fund is the huge financial reservoir into which the greater portion of the country's revenues flow and from which all expenditures issue. The fund, which exists in the form of a Government account kept at the Bank of England, has an interesting history. At one time it was the normal practice to finance each section of the public service from the revenue yielded by a specific tax. Whilst this system had some advantages, it made supervision of the nation's overall finances by Parliament difficult. The more logical Consolidated Fund was initiated by William Pitt in 1786, and the Public Revenue and Consolidated Fund Charges Act of 1854 established it on a permanent basis.

Reverting to the Consolidated Fund Services (which include payment of interest on the National Debt and Civil List charges), these do not have to be authorized by Parliament each year, as they are covered by past legislation. It is the Supply Services, as stated in the estimates, that are the subject of debate in the weeks leading up to the Budget. The Supply Services are grants of money which must be voted annually.

### The Chancellor's Speech

The position of Chancellor of the Exchequer is an important and, in many ways, an onerous one. He is called upon to perform the unpopular and thankless task of extracting from taxpayers' pockets sums of money that are quite astronomical – £7,000 million in the coming year.

By the time the Chancellor rises to make his speech next Tuesday, the House will, of course, already be familiar with the Estimates and the details they contain. What it will not know is precisely how and by what means the money is to be raised. Whether income tax is to go up or down; whether beer and tobacco are to cost more or less – these are, as yet, closely guarded secrets.

During the course of his speech the Chancellor reviews the financial position of the country and brings in all such matters as may be relevant. Sometimes in the past these Budget speeches have been of inordinate length – Gladstone, in 1853, set up a record by making a speech that lasted five hours, but more recently there has been a welcome trend towards comparative brevity. Occasionally they arouse fierce controversy, as did Lloyd George's Budget speech of 1909, in which he suggested an impost on land. When at last, with a touch of drama, the Budget proposals are revealed, they seldom manage to please everyone. Criticism from one quarter or another is inevitable.

In Victorian times the accounts were quoted in full detail in the Chancellor's Budget speech. Today the figures are printed in the *Financial Statement* and made available on Budget day. Members of Parliament are then somewhat in the position of company shareholders assembled to consider the annual balance sheet and directors' report. The form of the accounts is currently under review and may be altered. Indeed, Mr Reginald Maudling, the present Chancellor, recently promised that though it was intended to submit the *Financial Statement* this year in the same form as previously, he would indicate in his Budget speech the lines on which he thought the pattern of the Exchequer accounts might best be revised in future.

### Ways and Means

The procedure by which Parliament, when discussing the estimates, forms itself into a 'Committee of Supply' has already been mentioned. Immediately after the Budget has been read the House forms itself into a Committee of Ways and Means to debate the revenue proposals. This, too, is a committee of the whole House but presided over by a 'Chairman' instead of the Speaker, and therefore less formal in its proceedings. Every matter regarding the raising and granting of public money must be considered by the committee before the financial proposals can be given legal effect. Committees of Supply and of Ways and Means are appointed at the beginning of every Parliamentary session, the function of the former being to consider and approve the estimates, of the latter to authorize taxation.

Approval of the Budget proposals by the Committee of Ways and Means is given in a resolution, the essence of which is that, in response to the demands of the

Crown the necessary sums for service of the ensuing year are authorized. On this resolution, reported to and agreed by the House (with the Speaker in the chair), is founded the Finance Act – the annual statute which implements and gives legal force to the proposals contained in the Budget.

### Legislation

Before going further, attention must be drawn to various ancillary mechanisms that help to steer the Budget safely into port. There is, first, the Consolidated Fund Act (No. 1), another annual statute which has to be passed before March 31st and authorizes payment from the Consolidated Fund of moneys to discharge (a) Supplementary Estimates for the current year, and (b) Votes on Account for the year ahead.

Secondly, there is the annual Appropriation Act, which gives legal force to the main Estimates and generally winds up the financial business of the session. It differs from the Consolidated Fund Acts in that it embodies schedules, based on the estimates, and actually specifies the purposes for which the money is to be used. Like other Consolidated Fund Acts, the Appropriation Act authorizes the Treasury to borrow money in anticipation of revenue, always with the proviso that the sums borrowed do not exceed the amount appropriated.

Thirdly, there is the Provisional Collection of Taxes Act, 1913, which enables the Government to impose any new taxation with immediate effect. Originally, this Act applied only to income tax but since 1957 it has also applied to purchase tax. Further, it provides that the Government cannot continue collecting a temporary tax, such as income tax, for more than one month after it is due to expire, unless the House or the Committee of Ways and Means renews it within that period. The practical effect of this (April 5th being the end of the income tax year) is that May 4th is the last day on which the Chancellor of the Exchequer can normally present his Budget.

Let us now assume that the Chancellor has made the Budget speech for 1964 and that there will be no departure from usual procedures. The Committee of Ways and Means will vote at once (without any debate) on the resolution authorizing (a) the continuance, increase, or decrease of existing taxes, and (b) the imposition of any new taxes. At the same sitting, the Government will introduce the Finance Bill, which is given a 'first reading' before being printed. Debate on the Finance Bill begins with the second reading a week or two later. The Opposition may, if they are so disposed, move the rejection of the Bill, and in any case in the committee stage the clauses will be discussed one by one. Amendments, and even new clauses, may then be proposed.

After the second reading, the Bill passes through the Committee Stage and the Report Stage; it is given a third reading, which is of a purely formal nature, and then goes on to the Lords. At last, often late in July just before the House rises for the summer recess, the Commons will have finished with the Finance Bill and it becomes an Act of Parliament immediately on receiving the Royal Assent.

## Certified Accountants' Week-end School

OVER one hundred and twenty members of The Association of Certified and Corporate Accountants attended a week-end residential school held at St John's College, Cambridge, from April 3rd to 5th. Members were welcomed by Mr V. R. Chennell, F.A.C.C.A., President of the Association, at the opening meeting on Friday evening, and there followed a short address by Mr A. C. Bakker, Honorary Secretary of the Nederlands Instituut van Accountants, who described the work of the accountancy profession in the Netherlands, making some interesting observations on the regulations regarding registration of the profession in that country.

On Saturday morning the first paper was presented by Mr J. D. C. Dick, F.A.C.C.A., Assistant General Manager, the Royal Bank of Scotland, on the subject 'Methods of raising finance'. Mr Dick stated that the choice of method of raising finance clearly depended on the purpose for which assistance was required, the duration for which it was required and whether resort would have to be made to outside sources. Normally where a debt was self-liquidating, as in the case of seasonal stock peaks and short-term contracts, borrowing would be of a short-term nature, while plant which could be written off over a period of three to five years would be financed on a medium-term basis. As far as

the expansion of productive capacity in the form of buildings and plant with long life was concerned, this, he said, was more properly covered by long-term capital arrangements. Mr Dick went on to discuss the various avenues open to borrowers right through from internal finance by means of retained earnings, to mortgage finance, bank borrowing, bills of exchange, hire-purchase and Government assistance.

The second paper, given on Saturday afternoon, was by Mr G. H. Lawson, M.A.(ECON.), A.A.C.C.A., Lecturer in Accountancy, University of Hull, who spoke on 'The criteria to be observed in judging a capital project'. Mr Lawson discussed the basic theoretical considerations and capital investment arithmetic and went on to show evidence of the extent to which practice appeared to follow the theoretical model.

The third paper was presented by Mr J. P. Landau, F.A.C.C.A., a member of the Council of the Association, on Sunday morning. Mr Landau discussed the problems concerned in development, mergers and take-overs, with particular reference to the part of the accountant. All three papers were followed by group discussion, and at a further meeting the author, assisted by a panel, answered questions put to him by group leaders.

On Friday evening a Guest Night Dinner was held, presided over by Mr Chennell.



Some personalities at the Association's Week-end School. Front row (left to right): Mr R. P. Crout, A.A.C.C.A., *Member of Council, Chairman, Session II*; Mr G. H. Lawson, M.A.(ECON.), A.A.C.C.A., *Author, Paper II*; Mr R. Statham, C.B.E., J.P., F.A.C.C.A., *Vice-President of the Association, Chairman, Session I*; Mr A. C. Bakker, *Honorary Secretary, Nederlands Instituut van Accountants*; Mr V. R. Chennell, F.A.C.C.A., *President of the Association, Chairman, Session III*; Mr J. E. Harris, B.COM., F.A.C.C.A., *Member of Council, Member of Panel*; Mr J. D. C. Dick, F.A.C.C.A., *Author, Paper I*; Mr J. Nichols, A.A.C.C.A., *Member of Council, Member of Panel*.

Back row (left to right), Group Leaders: Messrs J. Gillow, A.A.C.C.A., A. R. W. Hill, A.A.C.C.A., D. F. G. Stroud, A.A.C.C.A., A. G. Jones, A.A.C.C.A., D. F. Goch, A.A.C.C.A., C. W. Fordham, A.A.C.C.A., K. D. Hughes, F.A.C.C.A., F. A. Nicholls, A.A.C.C.A., R. N. Reynolds, F.A.C.C.A., D. Richardson-Jones, M.B.E., A.A.C.C.A.,

# Union of Chartered Accountant Students' Societies

## Meeting between the Liaison Committee and Members of the Council

THE following interim statement has been issued by The Institute of Chartered Accountants in England and Wales relating to matters discussed at a meeting held on March 3rd between the Liaison Committee of the Union of Chartered Accountant Students' Societies and certain members of the Council of the Institute. A further statement will be issued later in the year giving the comments or decisions of the Council and its committees following consideration of points raised in the discussion.

### (1) *Report of meeting with the Liaison Committee*

The Liaison Committee asked that two statements should in future be released by the Council on the matters discussed at the meeting. Its suggestions have been accepted. This statement has been circulated, as requested, for the information of committees of students' societies. A later statement, as referred to above, will be made available for distribution by students' societies to their members and will also be published in the accountancy press.

### (2) *Premiums for articles*

The Liaison Committee expressed concern that, whilst the practice of charging a premium had almost disappeared, premiums were still paid in some cases in ignorance of the possibility of securing articles without payment of a premium. The Committee knew of cases where, because of the limited number of practices in some areas, students had either to pay a premium or leave home to undertake their training. Prohibition of premiums by the Council was requested. There was a full discussion during which it was stated that, in 1963, of over 3,500 sets of articles registered, only twenty-nine bore a reference to a premium of over ten guineas. The matter will be examined by the relevant committee.

### (3) *Contact with Universities*

The Liaison Committee urged the Council to promote closer links with the universities and projected schools of business and/or management studies in the interests of the future status of the profession.

Council members described the present programme of visits and discussions with both established and newly-formed universities. The Institute was in touch with the development of business schools. One most important preoccupation of the Education Committee is to increase the interest of and supply of members in and to the educational world as teachers and lecturers.

### (4) *Internal and external degrees*

The Liaison Committee drew attention to the Institute's regulations governing graduates of United Kingdom

universities. A reduction in service to three years is granted to a graduate whether he has been an internal or external student, full-time or part-time. Exemption from the Intermediate examination for those who have followed degree courses of professional relevance is granted only if the degree course was followed as a full-time internal student. Yet the important criterion in the latter case should presumably be academic competence rather than the general advantages associated with university study as an internal student. The committee suggested the removal of the restriction to internal degrees for intermediate exemption.

This matter will be considered by the committee concerned.

### (5) *Institute's support for wider professional education*

The Liaison Committee acknowledged efforts made by the Council to date to urge principals and articled clerks that articled clerks should make use of the opportunities for wider professional education offered by students' societies. The Committee stated that, in its view, students' societies were doing their best to discharge the responsibility in this direction placed on them by the Council. Lack of support for functions not directed clearly at the syllabus of examinations was nevertheless generally experienced. What remedy could be suggested?

Council members thought that the Council had done as much as it could, short of compelling attendance. Compulsory attendance by reluctant students would be of little real value. It was hoped that the promotion of oral courses for newly articled clerks, which would not be confined to the examination syllabus, would by developing a corporate feeling break down the reserve which some students felt about taking part in student activities and would also promote interest in matters of general professional interest.

### (6) *Full-time courses for articled clerks*

The Liaison Committee reported the desire of a majority in the Union of Chartered Accountant Students' Societies to see an extension of courses as an alternative to correspondence tuition. Reference was made to the work of The Law Society's school. It was accepted that this method was probably expensive and that the number of students of the Institute was much greater. The most enthusiastic supporters in the Union of the proposal were those who already had had experience of association with good colleges of further education.

The Council members referred to the present policy of promoting at a limited number of colleges of further education experimental introductory courses which, if



successful, would be capable of development into a more substantial supplement to correspondence tuition. Special attention was to be given to the difficulties of catering for students remote from main centres of population.

#### (7) *September Intermediate examination*

The Liaison Committee commented on the inconvenience of Intermediate examinations in September, having regard to the difficulty of arranging pre-examination revision courses and the incidence of holidays. A discussion took place on the reasons for the decision. It was also noted that in some areas, revision courses were to be held in July with a period for private revision thereafter.

#### (8) *Examination fees*

The Liaison Committee repeated criticism of the level of examination fees. In addition, whilst acknowledging that the Institute might wish to relate income to expenditure in each branch of its work, the Liaison Committee challenged the assumption that the benefit of examinations accrued wholly to the candidate. Examinations had the important functions of maintaining standards of competence for the benefit of the

public and protecting the status of the qualification of members.

In the course of discussion, several suggestions were made for either transferring or redistributing the incidence of examination fees.

The discussion will be considered by the committee concerned.

#### (9) *Grants for lecture expenses*

The difficulties in small societies, often remote from London, of securing lecturers and an audience on grounds of expense were put forward. With the introduction of automatic membership of district societies, the basis of grants is under review and the discussion will be considered during that review.

#### (10) *Reduction of articles for qualified accountants*

The Liaison Committee suggested that concessions should be given to qualified accountants who wished to become members of the Institute. Attention was drawn by the Council members to the provision which permits the Council to grant concessions to those with ten years' experience after age 17 and before entering articles. The Council has always been reluctant to grant any concession by reference solely to the possession of another professional qualification.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### **Ralli Brothers Limited v. Commissioners of Inland Revenue**

In the High Court of Justice (Chancery Division)  
March 11th, 1964

(Before Mr Justice BUCKLEY)

*Estate duty - Life interest - Remainder assigned to life-tenant - Assignment for short period - Death of life-tenant - Whether duty payable on income for short period - Whether payable on trust fund - Finance Act, 1894, sections 2 (1) (b), 6 (2), 7 (5), 8 (4), 9, 14, 22 (1) (1) - Finance Act, 1940, section 43.*

The deceased was entitled to a life interest in a trust fund, and subject thereto the property was to pass, under an appointment made by the deceased, to her grandsons in equal shares absolutely. This appointment was made on December 5th, 1961. On the following day the two grandsons assigned to the deceased their interest, if any, in the income of the trust fund down to December 31st, 1965, with the intent that the interest assigned should merge with the deceased's

life interest in the trust income, and so that the deceased's life interest might be enlarged into an absolute interest in the trust income up to the end of 1965 or on the deceased's death, whichever should be later. On December 12th, 1961, the grandsons released the power of revocation they had in the assignment deed. On December 24th, 1961, the deceased died.

Estate duty was claimed on the deceased's death on the footing that the trust fund passed on her death. It was contended for the plaintiffs that the only interest held by the deceased at the date of her death was in the trust income up to that date. It was contended on behalf of the defendants (i) that the deceased's life interest had been disposed of within five years of the date of her death, and that section 43 of the Finance Act, 1940, applied, so that the trust fund itself passed on her death; (ii) alternatively, that on the death of the deceased a benefit arose or accrued within section 2 (1) (b) of the Finance Act, 1894. It was contended on behalf of the defendants that at the date of her death the deceased's interest in the trust income was a right to receive all the trust income until she died or until December 31st, 1965; and that on her death the corpus of the trust fund passed, and section 1 of the 1894 Act applied.

*Held:* the assignment by the grandsons did not determine the deceased's life interest, and section 43 of the Finance Act, 1940, was inapplicable; and the only estate duty payable was duty in respect of the deceased's right to receive the trust income until December 31st, 1965.



## London Chartered Accountant Students' Cambridge Course

THREE hundred and three students in the first two years of their articles took part in the London Chartered Accountant Students' Society's four-day course at Cambridge last week-end, under the chairmanship of Mr Geoffrey B. C. Hughes, M.A., F.C.A. In Corpus Christi College there were 182 students, including nine girls, and in Pembroke College, 119. They were joined by two Cambridge students from the East Anglian Students' Society.

The course was divided into twenty discussion groups which met after each lecture and on Thursday and Friday evenings for more extended discussion. In a talk under the title 'Call it a day', Mr T. A. Hamilton Baynes, M.A., F.C.A., a member of the Council of the Institute, reviewed the worries, enjoyment, failures and achievements of the daily life of the ordinary principal. In a witty presentation he gave a stimulating view of the satisfaction to be gained from professional work well done.

On Friday the course heard and discussed talks by Mr A. J. Whiteside, M.A., Barrister-at-law, on 'The English legal system', and Chancellor E. Garth Moore, M.A., on 'The Queen's peace'. Following the sudden death of Sir Theobald Mathew, the Director of Public Prosecutions, who was to have given the second lecture, and the illness of Mr Maurice Crump, C.B.E., the Deputy Director, who had agreed to speak in Sir Theobald Mathew's place, the course was very much indebted

to the goodness of Chancellor Moore, a Fellow of Corpus Christi College, who, at the shortest notice, offered to speak on the same subject and gave a brilliant and arresting talk full of interest and learning. Mr Whiteside answered a large number of questions on the lectures given both by himself and by Chancellor Garth Moore.

On Saturday Mr Alastair Macdonald, B.A., from *The Financial Times* news department, spoke on 'Truth in the Press'. His frank and provocative talk gave rise to energetic discussion and many stimulating questions. The final lecture was given by Mr A. R. Hiersic, M.SC(ECON.), B.COM., on 'Some aspects of Government finance', in which he reviewed the sources and expenditure of the funds controlled by Parliament. This subject again led to more lively discussion and a long session of questions cheerfully handled by the speaker.

The President of the Students' Society, Mr Ernest F. G. Whinney, M.A., F.C.A., spent two days with the course, joined in the discussions and presided at guest-night dinners in Corpus Christi and Pembroke Colleges. Other non-academic events in the course were a service in Corpus Christi College Chapel on Sunday at which Chancellor Garth Moore gave a memorable address, an energetic and controversial punting race on the Cam and a dance in the Hall of Corpus Christi College.



At the Cambridge course. Front Row (left to right): Miss Eastick (Office), Lt-Cdr A. C. E. Higgins, D.S.C., A.C.A., A.C.W.A., R.N. (Committee), Chancellor Rev. E. Garth Moore, M.A. (Speaker), Messrs G. B. C. Hughes, M.A., F.C.A. (Chairman of the Course), E. F. G. Whinney, M.A., F.C.A. (President of the Students' Society), R. J. Carter, B.COM., F.C.A. (Secretary), D. C. Kelleher (Assistant).

Back Row (left to right): Messrs R. M. D. Jones, D. N. M. Andrews, P. T. Fernando, M. E. Braithwaite, J. R. Guillebaud, M. A. Malik, M. A. J. Mian, C. M. Clarke, P. N. Dean, D. R. Gabriel (all Group Leaders), C. A. Parritt (Committee), M. G. Chase (Group Leader).

# New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent or when a Statutory Instrument becomes effective.*

## STATUTES

### Chapter 3: Post Office (Borrowing Powers) Act, 1964

An Act to increase the limits imposed by section 10 (2) of the Post Office Act, 1961.

Price 3d net.

February 6th, 1964.

### Chapter 4: Trustee Savings Banks Act, 1964

An Act to make provision concerning the undertaking by a trustee savings bank of a service comprising the operation of current accounts for depositors of money with the bank, and for matters connected therewith.

Price 1s net.

February 27th, 1964.

### Chapter 5: International Headquarters and Defence Organizations Act, 1964

An Act to make provision as to certain international headquarters and defence organizations.

Price 8d net.

February 27th, 1964.

### Chapter 6: Export Guarantees Act, 1964

An Act to amend the Export Guarantees Acts, 1949 to 1961.

Price 3d net.

February 27th, 1964.

### Chapter 7: Shipbuilding Credit Act, 1964

An Act to enable the Minister of Transport to make loans for the purpose of providing finance for the construction or alteration of ships in shipyards situated in the United Kingdom, any of the Channel Islands or the Isle of Man and the equipment of the resulting ships.

Price 5d net.

February 27th, 1964.

### Chapter 8: New Towns Act, 1964

An Act to make fresh provision respecting the limits on the amount of the advances which may be made to development corporations under section 12 (1) of

the New Towns Act, 1946, and the Commission for the New Towns under section 3 (1) of the New Towns Act, 1959.

Price 3d net.

February 27th, 1964.

### Chapter 9: Public Works Loans Act, 1964

An Act to make further provision with respect to loans out of the Local Loans Fund, with respect to temporary borrowing by local authorities in Scotland and with respect to the re-borrowing powers of public authorities; to authorize an increase in the loans which may be made to the Government of Northern Ireland; and for connected purposes.

Price 1s net.

February 27th, 1964.

### Chapter 10: Family Allowances and National Insurance Act, 1964

An Act to extend the meaning of the word 'child' in the Family Allowances Acts, the National Insurance Acts and the National Insurance (Industrial Injuries) Acts, to increase widowed mother's allowance and certain other benefits under the National Insurance Acts and the National Insurance (Industrial Injuries) Acts paid in respect of or by reference to children, to require the disregard of part of any such benefit in arriving at the amount of a national assistance grant, and for certain other purposes, and to relax the earning rules relating to widow's benefit and retirement pensions, and for connected purposes.

Price 1s 3d net.

February 27th, 1964.

### Chapter 11: Navy, Army and Air Force Reserves Act, 1964

An Act to make further provision with respect to Navy, Army and Air Force reserves.

Price 8d net.

February 27th, 1964.

### Chapter 12: Episcopal Church (Scotland) Act, 1964

An Act to remove a disability restricting the Clergy of the Episcopal Church in Scotland in the exercise of their office in England.

Price 3d net.

February 27th, 1964.

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## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS ANDREAE & FINGLAND, Chartered Accountants, of Nassau, Bahamas, announce that Mr RUPERT WALTON, F.C.A., has retired from the partnership.

MESSRS BADDIEL, SLEEMAN & Co, of 20 Walter Road, Swansea, announce that they have admitted into partnership Mr JOHN DAVIES, A.C.A., who has been a member of the staff for a number of years. The style and address of the firm remain unchanged.

MESSRS BARNES, TURL & Co announce that their address is now 51 High Street, Bridgwater. The telephone number is unchanged.

MESSRS BRADFIELD, CHAPMAN & Co, Chartered Accountants, of 8 Oxford Street, Nottingham, announce with deep regret the death on March 16th, of Mr HENRY B. BRADFIELD, M.C., F.C.A., the senior partner in the firm. The partnership will continue under the same name.

MESSRS CASH, STONE & Co, Chartered Accountants, of 7 Brunswick Place, Southampton and 129 Victoria Road North, Portsmouth, announce that as from April 1st, 1964, the firm's name has been changed to HARMOOD-BANNER, CASH, STONE & MOUNSEY, and that Mr A. J. PILCHER, A.C.A. has been admitted into the partnership.

MESSRS CHANTREY, BUTTON & Co, of Africa House, Kingsway, London WC2, announce that Mr WILLIAM HENRY WORRALL retired from the partnership on April 5th, 1964. He will, however, be available as a consultant to the firm. Mr DAVID HOWARD CHAPMAN and Mr NIGEL RODNEY MUNDY, who have been members of the staff for many years, were admitted as partners from April 6th, 1964.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that they have opened an office at Newgate House, Newgate Street, Newcastle upon Tyne 1, Northumberland.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that Mr REGINALD DUNN, F.C.A., retired on March 31st, 1964. Mr DUNN joined ASPELL & BARNES (later ASPELL, DUNN & Co) in 1921 and became a partner in 1931. He has completed almost fifty years in the profession.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that Mr LEONARD CUNLIFFE DAVID, F.C.A., retired from their Paris office, on March 31st, 1964. Mr DAVID became a partner in the associated firm of LYBRAND, ROSS BROS & MONTGOMERY in 1931 and has completed over forty-five years in the profession.

MESSRS CRAIG, GARDNER & Co, Chartered Accountants, of Dublin and Belfast, announce that Mr JOHN RUSSELL, F.C.A., has retired from the partnership with effect from March 31st, 1964, and that as from April 6th, 1964, they have admitted to partnership Mr KEVIN JOSEPH O'REILLY, A.C.A., who has been a member of their staff for some years.

MESSRS J. W. DAVIDSON, COOKSON & Co, Chartered Accountants, of 515 Martins Bank Building, 6 Water Street, Liverpool 2, announce that Mr THOMAS BALL, F.C.A., has been admitted into partnership as from April 1st, 1964.

MESSRS FORRESTER BOYD & Co, Chartered Accountants, of 26 South St Mary's Gate, Grimsby, and at Fish Docks, Grimsby, Louth and Scunthorpe, announce the retirement of Mr A. A. BEARDSALL, F.C.A., who has been a member of the firm for many years and the admission of Mr J. G. ADAMS, B.SC.(ECON.), A.C.A., with effect from April 1st, 1964. The name of the firm will remain unchanged. It is further announced that as from April 1st, 1964, the firm of W. MUNRO & Co, Chartered Accountants, of 7A Abbey Walk, Grimsby, has been incorporated with Messrs FORRESTER BOYD & Co and the combined practice will be carried on from 24-26 South St Mary's Gate, Grimsby.

MESSRS HANCOCK, GILBERT & MORRIS announce that their address is now 17 Portland Place, London W1; telephone Langham 0416.

MESSRS ALFRED HARRIS & TROTTER, Chartered Accountants, of 38 Upper Grosvenor Street, Grosvenor Square, London W1, announce that they have admitted into partnership as from April 1st, 1964, Mr ARNOLD JOSEPH DONN, A.C.A. The name of the firm remains unchanged.

MESSRS P. G. HESLOP & Co, Chartered Accountants, of 73 Basinghall Street, London EC2, announce that as from April 1st, 1964, they have admitted into partnership Mr A. R. AMOS, A.C.A.

MESSRS HOGG, BULLIMORE & Co, of City Gate House, Finsbury Square, London EC2, announce that owing to ill health, Mr D. C. CLARK, A.C.A., has resigned as a partner of the firm from April 1st, 1964, and from that date Mr R. G. JOHNSON, F.C.A., has been admitted as a partner of the firm.

MESSRS JONES, ROBATHAN, THOMPSON & Co, Chartered Accountants, announce that Mr DAVID JOHN FFOULKES WINKS, A.C.A., who has been associated with the firm for a number of years has been admitted to the firm's Cardiff practice as from April 7th, 1964.

MESSRS A. E. LIMEHOUSE & Co, Chartered Accountants, of 24 Market Place, Rugby, announce that as from April 1st, 1964, they have admitted into partnership Mr K. J. HALL, A.C.A., who has been associated with the firm for some time. The style of the firm will remain unchanged.

MESSRS LORD, TAYLOR & Co, Chartered Accountants, announce that on April 1st they amalgamated with Messrs FRANK HARROP & Co, Chartered Accountants. The new firm will practise under the name of HARROP, ROUSE & LORD, at 10 Norfolk Street, Manchester 2; telephone Blackfriars 9627-9.

MESSRS MARTIN, FARLOW & Co, Chartered Accountants, of 27 Finsbury Square, London EC2, announce that they have admitted into partnership Mr PETER D. BAILEY, A.C.A., who has been a member of their staff for many years.

MESSRS NEVILL, HOVEY, GARDNER & Co, Chartered Accountants, of 94 Old Broad Street, London EC2, announce that their two senior partners, Mr FREDERICK J. B. GARDNER, M.C., F.C.A., and Mr ARTHUR JOLLY, J.P., F.C.A., retired from the partnership on April 5th, 1964. They will continue to be associated with the firm as consultants.

MESSRS NEWMAN, HARRIS & Co, Chartered Accountants, of 18 Harcourt House, 19 Cavendish Square, London W1, announce that as from April 1st, 1964, they have admitted into partnership Mr M. N. EAGLE, A.C.A., Mr G. F. GILMORE, A.C.A. and Mr M. MELBOURNE, A.C.A., who have been senior members of their staff for a number of years. The name of the firm remains unchanged.

MESSRS PORTLOCK & Co, Chartered Accountants, of 8 Staple Inn, Holborn, London WC1, announce that with effect from April 1st, 1964, they have admitted into partnership Mr BRIAN ANDREWS, A.C.A. The firm name remains unchanged.

MESSRS SCOTT & PATERSON, Chartered Accountants, of 5 Coates Crescent, Edinburgh 3, announce that as from March 1st, 1964, they have assumed into partnership Mr RICHARD M. MCNEIL, C.A., who served his apprenticeship with the firm and has been a senior member of their staff for some years.

MESSRS WILLIAM SUNDERLAND & Co, Chartered Accountants, of 64 Devonshire Street, Keighley, announce that Mr KEITH BALMFORTH, A.C.A., has been admitted to partnership as from April 1st, 1964. The style of the firm remains unchanged.

MESSRS SUTCLIFFE & RILEY, Chartered Accountants, of Fountain Chambers, Halifax, announce that they have admitted Mr R. E. RILEY, A.C.A., into partnership as from April 1st, 1964. Mr RILEY is the son of the senior partner, and has been with the firm for some years. He also joins the associated firm of LEAROYD & SONS.

#### Appointments

Mr R. A. W. Caine, F.C.A., has been appointed a director of The Rugby Portland Cement Co Ltd.

Mr Smedley R. Duddridge, F.C.A., previously financial accountant of Qualter, Hall & Co Ltd, has been appointed secretary of the company.

Mr G. W. Flint, C.A., A.C.W.A., has been appointed a director of The Central Mining & Investment Corporation Ltd, and of Central Mining Finance Ltd.

Mr P. G. Moore, A.C.A., has been appointed secretary of Advance Components Ltd.

Mr A. P. Ravenhill, F.C.A., has joined the board of London and Thames Haven Oil Wharves Ltd, and has been appointed assistant managing director as from April 1st, 1964.

#### LOANS TO LOCAL AUTHORITIES New Rates of Interest

The Treasury has now directed that for the purposes of section 2 of the Public Works Loans Act, 1964, the following rates of interest shall apply to all loans advanced to local authorities, as defined in section 10 of the Local Authorities Loans Act, 1945, from the Local Loans Fund on and after April 1st, 1964:

	Lower A. M. Per cent		Higher A. M. Per cent	
Loans for not more than five years .. .. .	5½	5½	6½	6½
Loans for more than five years but not more than ten years ..	5½	5½	6½	6½
Loans for more than ten years but not more than fifteen years	5½	5½	6½	6½
Loans for more than fifteen years but not more than thirty years .. .. .	5½	5½	6½	6½
Loans for more than thirty years	5½	5½	6½	6½

The amount which an authority borrows within its annual quota will bear interest at the appropriate rate in the lower set of rates. Where authorities borrow further sums these will attract interest at the appropriate rate in the higher set of rates, unless the Public Works Loan Commissioners agree that it should be offset against the following year's quota. Different rates of interest apply according to whether a loan is repaid by way of annual payments (A.) or at maturity (M.).

#### EXPORTING TO SPAIN

An interesting survey in booklet form entitled *The Spanish Market*, dealing with the prospects for increased trade with Spain, has just been published jointly by The Credit Insurance Association and the shipping division of Hogg Robinson & Capel-Cure Ltd.

Western Europe, the survey says, has had a series of 'economic miracles'. The next is seen by many investors to be due at any moment in Spain. This year Spain begins a four-year development plan designed to achieve a growth target of 6 per cent and to raise the annual income per head of population to £165 by 1967, compared with £132 in 1961. As a result, it is inevitable that there will be large rises in imports, and it follows that many opportunities will avail themselves to expand United Kingdom exports. Apart from dealing with the development plan, the survey also includes appraisals of Spain's ports and shipping, agriculture, industry, transport, and scope available for United Kingdom exporters.

Copies of the booklet are obtainable free of charge from The Credit Insurance Association Ltd or the shipping division of Hogg Robinson & Capel-Cure Ltd, Staple Hall, Stone House Court, London EC2.

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### Chartered Accountants' Hockey Club

The Chartered Accountants' Hockey Club XI which, as reported in *The Accountant* of March 28th, drew with the Insurance Hockey Association XI 3-3 in a recent match.

Back row (left to right): M. A. Charlton (Rickmansworth) (Capt.); M. L. Pecker (Hampstead); A. J. Hines (Bury Y.M.C.A.); P. Barden (Bromley); J. L. Harris (Orpington); and M. J. Hodder (Berkhamsted).

Front row (left to right): P. D. Clarke (Blackheath); M. N. M. Viney (Berkhamsted); S. Potnis (Bexleyheath); S. Schanschieff (Northampton); J. R. Threlfall (Blackheath).



### E.F.T.A. MARKETS

Coming at a time when opportunities for trade within the European Free Trade Association countries are at a stage of rapid development, the second edition of the booklet *E.F.T.A. Markets*, published by The Association of British Chambers of Commerce, provides a valuable, up-to-date guide for United Kingdom commercial and industrial organizations to the situation in Europe generally and individual E.F.T.A. countries in particular.

The forty-eight page booklet, which contains a foreword by the Secretary-General of E.F.T.A., includes information about the physical features and population, the domestic economy, foreign trade, investment opportunities, trade promotion and the economic outlook of each E.F.T.A. country, including the United Kingdom. Five appendices refer to sources of commercial information in E.F.T.A. and give useful statistical comparisons. Copies of the booklet are obtainable from Chamber of Commerce Publications, 68 Queen Street, London EC4, and all Chambers of Commerce affiliated to the Association of British Chambers of Commerce, price 7s 6d each, post free.

### LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS

#### Chester and North Wales Branch

The annual general meeting of the Chester and North Wales Branch of the Liverpool Society of Chartered Accountants was held on March 20th when the following officers were elected for the ensuing year:

*Chairman:* Mr P. G. Lane, F.C.A.

*Vice-Chairman:* Mr J. G. Raymond, F.C.A.

*Honorary Secretary:* Mr R. R. Williams, A.C.A., 10 White Friars, Chester.

*Honorary Treasurer:* Mr J. G. Raymond, F.C.A.

*Honorary Auditor:* Mr Frank Hack, F.C.A.

Messrs P. G. Lane, R. Breese Jones and R. R. Williams were re-elected to serve on the committee and Mr J. H. Bates was elected to the committee.

### LIVERPOOL CHARTERED ACCOUNTANT STUDENTS' ASSOCIATION

At the eighty-first annual general meeting of the Liverpool Chartered Accountant Students' Association, held on March 25th, the following officers were elected for the year 1964-65:

*President:* Mr M. S. Moon, F.C.A.

*Vice-Presidents:* Messrs K. R. Mackenzie, F.C.A., D. K. Adams, B.COM., F.C.A., W. A. Bates, A.C.A.

*Hon. Treasurer:* Mr C. N. H. Pursglove.

*Hon. Secretary:* Mr J. R. A. Nottingham, The Library, 5 Fenwick Street, Liverpool 2.

*Hon. Auditors:* Messrs G. F. Appleton, A.C.A., M. G. Lyon, A.C.A.

### THE BRADFORD AND DISTRICT CHARTERED ACCOUNTANT STUDENTS' SOCIETY

#### Forthcoming Events

The following meetings of The Bradford and District Chartered Accountant Students' Society are to be held at Bradford Technical College, Main Buildings, Great Horton Road, during April and May:

*April 25th.* Final lecture: 'Accounting', by Mr K. Beck, B.A.(ECON.), A.C.A., at 9 a.m.

Intermediate lectures: 'General commercial knowledge', by Mr R. Joy, A.C.A., and 'Law', by Mr H. A. Cosgrove, A.C.A., at 9 a.m. and 10.30 a.m.

*May 2nd.* Final lecture: 'Taxation', by Mr B. Armitage, A.C.A., at 9 a.m.

Intermediate lectures: 'Book-keeping', by Mr R. Joy, A.C.A., and 'Book-keeping' by Mr H. A. Cosgrove, A.C.A., at 9 a.m. and 10.30 a.m.

*May 9th.* Final lecture: 'Taxation', by Mr B. Armitage, A.C.A., at 9 a.m.

Intermediate lectures: 'Taxation' by Mr R. Joy, A.C.A., and 'Taxation', by Mr H. A. Cosgrove, A.C.A., at 9 a.m. and 10.30 a.m.

On April 23rd, a soccer match will be played against the Huddersfield Students' Society.

**CITY DISCUSSION GROUP**

The next meeting of the City Discussion Group of Chartered Accountants will be held on Wednesday next, at the White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m. The subject for discussion will be 'The Budget'.

**NORTH LONDON DISCUSSION GROUP**

The next meeting of the North London Discussion Group of Chartered Accountants will be held on Wednesday next, April 15th, at Hotel Russell, Russell Square, London WC1, at 6 p.m. for 6.30 p.m. The subject for discussion will be 'Frauds and their impact on commercial and practising accountants', leader Mr F. Webb, F.C.A. The honorary secretary of the Group is Mr P. D. Knox, A.C.A., Somerset Cottage, Duxhurst, near Reigate, Surrey.

**OPERATIONAL RESEARCH SOCIETY****Inventory Control Study Group**

A meeting of the O.R.S. Inventory Control Study Group, at which accountants will be welcome, is to be held at 2.30 p.m. on Tuesday next in the Conference Room, Kodak House, Kingsway, London WC2, when there will be a demonstration of an analogue computer developed to make routine short-term forecasts.

Intending visitors are asked to contact the group secretary, Mr G. H. Mitchell, c/o Operational Research Society, 64 Cannon Street, London EC4.

**COURSES FOR MANAGEMENT**

Two courses on 'How to install budgetary control and standard costs' and 'Standard marginal costing' are to be held in London from April 21st to 22nd and April 23rd respectively. Presented by Dr James M. S. Risk, B.COM., PH.D., C.A., F.C.I.S., F.C.W.A., F.B.I.M., they will both be repeated in Manchester - the former from April 28th to 29th and the latter on April 30th. A third course, 'Computer feasibility studies', is to be held in London on April 30th and May 14th. This, too, will be repeated in Manchester on May 7th and June 4th. The course has been devised and will be presented by Mr Oliver Standingford, F.B.I.M., F.I.O.M.

Further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

**ECONOMIC CONDITIONS IN IRELAND**

A further booklet in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has now been issued covering the Republic of Ireland. Copies of the booklet are obtainable from H.M. Stationery Office, price 5s.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF APRIL 6TH, 1889

*A Weekly Note***Payment by Time in Accountants' Offices**

We used to think our knowledge of professional customs and methods was fairly extensive, but every day brings something which tells us our information is far from perfect. Last week we heard for the first time, and with some surprise, that in some few offices the clerks are paid by time, and in one case in London, time means the time during which a clerk is actually occupied on work, so that if work is slack clerks simply play and get no pay. We dare say this system has, like all other things, its advantages and its disadvantages. As to the side on which the balance lies we have a pretty strong conviction, but considering the very few offices in which this system of remuneration is in force the matter could hardly be discussed with freedom and without our remarks being taken as having a personal application, which would be far from our intention.

**THE LONDON SCHOOL OF ECONOMICS****Graduate Studentships in Economics**

Graduate studentships for full-time advanced study in economics, widely interpreted, have been established with funds provided by a number of business firms and will be offered for the first time in October 1964.

'Economics' for the purpose of these studentships may be interpreted to include statistics in relation to economics, operational research, parts of accounting and certain aspects of economic geography, economic history and industrial relations.

The studentships are intended to give graduates of United Kingdom universities with first or good second class honours an opportunity for a year's study at an advanced level for which courses have been arranged at the School. The studentships may in some cases be extended for not more than two years for further advanced study or research. Each studentship will be of the value of at least £750 a year together with all appropriate fees.

Letters of application giving full particulars and the names of two referees should be sent to the Secretary of the Graduate School, the London School of Economics and Political Science, Houghton Street, Aldwych, London WC2, not later than May 1st, 1964.

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## The Budget

IN a year when, by general agreement, the economy requires little more than a delicate touch of the brake, nothing very exciting from an economic point of view was to be expected in the Budget. Argument there may be, but only about the size of the little less or more. In consequence, there was all the more reason to expect THE CHANCELLOR OF THE EXCHEQUER to take the opportunity to deal with other outstanding problems such as improvements in the taxation system. But on this occasion there is little to record, except further delay and a promise of action in the future. This is, of course, an election year.

In consequence the meal has been notably stodgy and the ritual of serving it up to a longstanding time-table particularly unappetizing. Argument such as there may be is likely to concern the £100 million rise in indirect taxation, and this is not a large sum in the context of a Budget of nearly £7,500 million.

As expected, the CHANCELLOR sees his task in the fiscal year 1964-65 as establishing a rate of expansion of the economy as a whole of 4 per cent, whereas left to itself without a curb it might expand at 6 per cent thereby risking inflation and a serious worsening of the balance of payments position. Even at 4 per cent some worsening is expected, but the Government is prepared to ride out a modest setback to the external position and this policy will have general approval. Exports are expected to be buoyant. Home investment will be heavy, notably in the public sector where a continuing heavy outlay on schools, hospitals, roads and housing has to be sustained. Stockbuilding by industry is expected to increase further, causing a growing strain from imports. The CHANCELLOR has, however, wisely refused to attack this last problem by discouraging the importation of manufactured goods since this would ask for reprisals and would reduce competition in the home market, neither of which are desirable. Finally there is expected to be a higher outflow of long-term capital. All this adds up to greater pressure of demand in the home market and the CHANCELLOR proposes to relieve the pressure by increasing indirect taxation by £100 million.

If there were to be no tax changes in the Budget the new fiscal year would finish up with an estimated deficit above the line of £36 million, compared with a surplus in the year just ended of £73 million. Below the line net payments would be £858 million compared with £551 million last year, making a total borrowing requirement of £894 million against £478 million last year.

The CHANCELLOR considers that this deficit is too large in view of the anticipated economic situation and he is increasing taxation



and reducing borrowing accordingly. He proposes to try to induce higher savings by raising the limit on holdings of National Savings Certificates and Premium Bonds and by issuing a National Development Bond. Such abstention from consumption as these bring will not be taken into his calculations, however. The CHANCELLOR will skim off his £100 million in increased duties of 10 per cent on alcoholic drinks and tobacco.

The choice was open to him of using the Regulator over the whole field of indirect taxation of consumable goods but he thinks that since it is long-term investment which is to be financed it should be paid for by long-term changes in taxation, if such these increases prove to be. He is to ask Parliament for the extension of the optional use of the Regulator over other goods, except these two, as short-term devices for changing the burden of indirect taxation if it should prove necessary. In other words, a further delicate touch of the brake this year will be applied if it should be needed.

The other changes in taxation are matters of

principle rather than revenue. The most interesting one is the extension of the pool betting duty to cover betting at fixed odds and the duty as a whole comes down from 33 to 25 per cent. The net revenue from this is expected to be just under £6 million in this fiscal year. Total tax changes are expected to produce a surplus above the line of £67 million compared with the £73 million last year and total borrowing required should be £791 million.

The various detailed changes in taxation are dealt with below. There is to be a White Paper on company taxation but no legislation this year, not surprising, perhaps, in an election year. The idea of a value-added tax has now been formally set aside. A further White Paper is to be published on reform of the Exchequer accounts.

Altogether it is a sane, safe and uninspiring Budget. It will probably neither gain nor lose votes and that will not be without merit. The one question remains. Will that £100 million of extra taxation plus some possible limited short-term reinforcements be enough?

## TAXATION PROPOSALS

In the field of direct taxation, the Budget is perhaps the most unexciting one that we have had for several years. The Chancellor moved that income tax at the old standard rate of 7s 9d in the £ be imposed for 1964-65, that the surtax rates for that year be left for later determination, and that the surtax rates for 1963-64 be fixed at the same rates as for 1962-63.

To go even farther back into the past, there is an echo of the Finance Act, 1933. That Act tried to impose taxation on the profits arising from mutual trading, but the draftsman's efforts were proved by the House of Lords to have been inadequate. This lacuna in the income tax system has been exploited with progressively greater effect. The Radcliffe Report recommended that a further attempt be made to achieve what was sought to be achieved in 1933. Mr MAUDLING has now decided that surpluses derived from mutual trading, in so far as they are derived by companies, are to be taxed as income. The relevant resolution is as follows.

"That further provision shall be made for charg-

ing income tax in the case of bodies corporate carrying on a business which consists in whole or in part of mutual transactions between persons having dealings with the body corporate."

This wording is vague enough. It will be interesting to see what wording is chosen in this year's Finance Bill to avoid the trap which the draftsman fell into thirty-one years ago.

### Anti-avoidance

There is no end to schemes which contrive to turn income into capital in the eyes of income tax law. This year's Finance Bill is to contain its due quota of anti-avoidance devices. One of these devices is for a trading firm to grant a long lease of its business premises to a company, which deals in property. It takes a large premium which is not taxable in its hands. At the same time it takes a lease back at a high rent which it is able to deduct as a business expense. The dealing company pays tax on this high rent but is able to obtain relief in respect of the diminution in value



of the lease. Moreover the parties can determine the lease prematurely and repeat the process.

There is a similar device in relation to new plant and machinery. A trader takes plant on hire, at a loaded rent which is sufficient even in the early years to cover the capital cost of the plant. For the later years, the rent payable by the trader under the agreement is trifling. Thus when the initial high rent has been paid and has been deducted as a business expense, the trader is in a position to use the plant for the rest of the term of the agreement at very low cost. This right he can sell for a lump sum which is not taxable in his hands. He can make the sale to a person who deals in plant, and take a lease back at a high rent, in the same way as described above in the case of a lease of land or buildings.

It is not so much the fact that these possibilities exist which has moved the CHANCELLOR to action, but the fact that certain astute people have been approaching traders and urging them to make use of such devices. The counter measures will be designed to stop profits being made by means of these devices, 'but will not penalize normal leasing arrangements'. They will operate as regards transactions entered into after Budget day. The relevant motion is as follows:

'That, where transactions are carried out which involve payments in respect of any description of property or rights (whether payments by way of rent, or payments for the hiring of assets, or payments of any other description, and whether or not consisting of or comprising instalments of, or payments towards, a purchase price), charges to income tax may be imposed, including restrictions on the cases in which, and the extent to which, the payments are allowable as deductions in computing income or profits or gains or losses, or relief is allowable in respect of the payments.'

Understandably enough, no figures are given of the estimated saving to the Exchequer from this move. The potential loss from such widely advertised devices must be quite considerable.

### Disposal of Part of a Trade

One of the long-standing anomalies of income tax law is the way in which the arbitrary basis periods of assessment can cause double taxation where a trader disposes of a part of his trade. Ever since

1885, when *Highland Railway Co v. Special Commissioners* (2 T.C. 151) was decided, it has been the rule that the disposal of part of a trade does not alone amount to a cessation of that trade. It often happens that a company finds it expedient to transfer part of its trade to a new company formed for the purpose. Since there is no 'cessation', the old company continues to be assessed on the 'preceding year' basis. At the same time the new company is assessed on the 'commencement' basis. It follows that the same profit is reflected in assessments on both companies. The anomalous nature of this situation has become more pronounced since the Finance Act, 1954, provided for the 'continuing' basis where a company transfers the whole of its trade to another company in substantially the same ownership. Mr MAUDLING says he proposes to remedy the anomaly by providing, in effect, that the two parts of the original trade should be treated as separate trades, each continuing to be chargeable on the normal preceding year basis despite the change. No doubt apportionment will be applied as in the case of section 17 of the Finance Act, 1954, where a trade is actually discontinued but its activities are carried on by two or more companies.

### Double Tax Relief Extended

The CHANCELLOR also announced another relief. Under it, a United Kingdom company which controls 25 per cent or more of the voting power of an overseas company from which it receives dividends will be able to claim unilateral double tax relief in respect of the overseas tax charged on the profits out of which the dividend came. At present the relief is conceded only where the United Kingdom company can satisfy the Inland Revenue that the United Kingdom company's holding in the overseas company was the maximum permitted by the relevant overseas law or practice.

### Tax Reform and Simplification

The CHANCELLOR had a word to say about the suggestion that income tax and profits tax on companies should be replaced by a single tax on company profits. He recalled that his predecessor in 1961 said that he intended to have the idea of a

single corporation tax further examined. In the following year, after that examination, the then Chancellor announced that a scheme had been framed which the Inland Revenue were to discuss confidentially with outside tax experts. As Mr MAUDLING told the House last year, outside bodies had declared that the schemes of amalgamation of the two taxes were not satisfactory. At the same time, Mr MAUDLING announced that the Inland Revenue were examining, with outside experts, the possibility of placing the taxation of company profits for income tax on an accounts basis, as in the case of profits tax. It will be recalled that the Inland Revenue deployed powerful arguments to the Radcliffe Commission against the adoption of the 'actual year' basis for individuals, where the matter is complicated by personal reliefs geared to the income tax year.

The CHANCELLOR announced on Tuesday that discussions on the accounting year basis for companies had been completed. Most of the persons consulted were in favour, in principle, of the scheme which had been devised. However, they had urged that there should be more time for consideration of the details and implications of the legislation that would be required than is normally available between publication of the Finance Bill and the Committee stage on it. One other factor combined with the above to dissuade the CHANCELLOR from introducing the change this year: the heavy cost to the Revenue in the initial stages.

In the meantime the Government will publish a White Paper explaining the new scheme, together with a draft of the legislative provisions which would be needed to bring it into effect.

### Turnover Tax Rejected

As might have been expected from the terms of the Richardson Report, in particular the way in which it seemed to echo the CHANCELLOR's own views, the question of introducing a turnover tax on the continental pattern has been dropped. Nevertheless the CHANCELLOR accepts that the basis of indirect taxation will have to be widened, probably by an extension of the range of purchase tax. However, the difficulties are considered to be too formidable to allow of any move this year.

### Increased Tobacco and Alcohol Duties

Given his self-imposed task to increase taxation this year by some £100 million, Mr MAUDLING outlined his decisions as to the method by which this extra sum was to be raised. He said he rejected increases in direct taxation because the need was for greater effort and investment on the one hand, and a reduction in consumption on the other. This pointed to taxation at the point where money was spent, rather than where it was earned. Moreover, direct taxation inevitably involves a time-lag; indirect taxation can operate at once. Thus Mr MAUDLING arrived at his decision to increase by some 10 per cent the taxes on tobacco and alcohol, with immediate effect. At the same time, the CHANCELLOR obtained a renewal of the Regulator power in a more flexible form so that it could be applied to any one or more of the four major blocks of indirect taxation (tobacco, alcohol, oil, purchase tax), without having to be applied to all of them. This means that if the Regulator is applied, it need not further increase the duties on alcohol and tobacco, which are now already increased.

Elaborate tables of the changes in the tobacco and alcohol duties are available. They can be summarized by saying that the normal packet of twenty cigarettes goes up by fourpence. Brands now selling for under 4s go up by 3d. The actual increase in tax is 2s a pound of tobacco less than these price increases show. The increase in alcohol duties means in practice 1d a pint on beer, 3d a bottle on light wines and British wines, 6d a bottle on heavy wines, and 3s a bottle on spirits.

### Other Changes

Betting duty is to be extended next August to fixed odds coupons on football results. At the same time, the rate of duty is to go down from 33 per cent to 25 per cent. The duty on greyhound totalizators goes down from 10 per cent to 5 per cent, the bookmakers' licence duties being correspondingly halved.

The Contracts of Employment Act, 1963, requires an employer to give his employee a written statement of the main terms of the employment. Such a statement would be liable to stamp duty as an agreement. It is therefore proposed that all employment agreements should be exempt from stamp duty.

# Preservation of Pension Rights

CONTRIBUTED

*A topic of current interest is that of the transferability of pension rights for employees changing jobs. The N.E.D.C. has stated that, for higher-grade staff, non-transferable pensions are a serious obstacle to mobility. Our contributor discusses some of the issues involved if transferability were to be made compulsory.*

**T**HERE is little doubt that one of the objects behind the majority of 'fringe benefits' which have become so common throughout employment is that they are an inducement to employees to stay with the company. In one way or another, employees may receive benefits which they might not be able to obtain for themselves (as, for instance, in the case of sports facilities) or they may receive some rights which would be more expensive if they had to pay for them from taxed income.

One of the earliest, and still most important, forms of fringe benefit is the occupational pension scheme organized by a concern for its employees. Whether employees contribute towards the cost of their pensions or whether the whole of the expense is borne by the company is somewhat immaterial. And certainly how the pension is provided (e.g. from an insurance company or from a self-administered pension fund) is simply an administrative detail. These points have little bearing on the fact that often schemes have been set up by employers on the basis that to some extent their existence would discourage employees from leaving.

Now there is some doubt whether it is to the ultimate advantage of the country as a whole (or, indeed, to individual employers) that there should be this restraining influence – which, of course, applies particularly in the case of older and more experienced employees. For instance, in a report of the National Economic Development Council it was recommended that, since for higher-grade staff non-transferable pensions are a serious obstacle to mobility, consideration should be given to making the preservation of pensions on transfer a condition of Inland Revenue approval.

## Condition of Approval

It has been suggested that it would be a simple matter for the Revenue to insist on the provision of vested rights as a condition of approval in respect of future schemes wherever their discretion is invoked – which would cover the

majority of cases. So far as existing schemes are concerned, it is thought that it would be possible to legislate for a similar condition to be imposed. But this would be open to the usual objection to any form of retrospective change in the law. In practice, however, such a further step might well prove unnecessary, for employers would find it difficult to withstand pressure from employees, trade unions and public opinion to bring their schemes into line as soon as a fair number of companies had established schemes which included vested rights.

## Repayment of Contributions

No doubt this is sensible and logical, though there are practical difficulties to be surmounted. In the first place, to judge by the situation at present, it would appear that the majority of employees leaving the service of a company are not particularly concerned about their future pension. They are more interested in the new salary which they will be paid; and instead of contemplating a modest pension (to be paid at 65) from the firm they are leaving, they may prefer to take a cash sum when they leave.

The second point is that almost certainly the compulsory inclusion of vested rights in pension schemes is likely to prove more expensive for employers. Finally, since to a great extent one is dealing with imponderables, it could prove difficult to achieve equity between two schemes when a man transfers from one to another.

Why should employees be so reluctant to take a paid-up pension on leaving service? The position at present is that usually when a man leaves his employment, he elects to receive the repayment of all his contributions (perhaps subject to a deduction for tax of just under 2s in the £) rather than leave them in the scheme so as to receive a paid-up pension on retirement. On the principle that 'a bird in the hand is worth two in the bush', one can see that this is attractive. In the first place, if a man is out of work for some time, the cash will be useful. Similarly, it may be needed to help

with the initial expense of removal to the new place of employment. Added to which there is no doubt that this looks an agreeable arrangement if relief was allowed on the contributions at the standard rate of income tax, while only about 2s in the £ is deducted when the contributions are withdrawn in a lump sum.

On the other hand an employee may well be making a fairly large sacrifice; for in many cases employers are prepared to leave in their contributions so as to increase a man's pension when he reaches 65. This, however, is allowed by the Inland Revenue only in cases where an employee leaves his own contributions undisturbed. In practice this seldom occurs – although it is open to question whether the full position is explained to a man so that he may really understand when he decides to leave. One step in the right direction might be greater education in this sphere.

### Central Clearing House

One way in which to achieve some preservation of pension rights may be for it to be obligatory that any money paid into a pension scheme should stay there until withdrawn in pension form or as a death benefit. The effect of such a measure would be that an employee who had changed jobs a number of times during his career would receive a small pension from each employment on retirement. This, of course, would create a considerable amount of administrative work which would necessitate the establishment of some form of central clearing house. Also, insurance companies and others might be able to buy deferred annuities for a lump sum when an employee left the pension scheme. The central agency would then be responsible for making the payments on the due dates.

If such legislation should be introduced, there is no doubt that the cost of providing pensions would be increased. At present, it is estimated that there is an annual withdrawal from insured pension schemes of about 10 per cent; and of those employees who could benefit from preservation when they leave their employment, in the region of 90 per cent do not choose to benefit – electing instead to take a refund of contributions when they leave a contributory pension scheme. In such cases it is the employer who benefits, for when the company's contributions are not taken by an employee in the form of a paid-up pension, they are used to reduce the firm's liability for future pension contributions.

In the event of the preservation of pension rights, it can be seen that an additional cost (ex-

actly how much, as a percentage, is difficult to estimate) would be imposed on employers; for in cases where the employer can afford only a limited sum, the effect of providing pensions for all employees leaving service would be to reduce the amount of pensions granted to those remaining with the firm until retirement. Perhaps this seems unfair. But the question at issue concerning the preservation of pension rights is whether a pension should be regarded as a reward for a lifetime of service, or a form of deferred pay, provision for which is made when the salary or wages are paid.

Looked at in the latter light, it is reasonable that all employees should be on the same level – whether they stay or leave. After all, the man who would like to leave, but stays on *only* because of his eventual pension, may not be of any very great value to the company. Thus the transferability of pensions would, in the long run, be likely to benefit not only employees but, in some cases, employers as well.

There remains the problem of how the transferability of pensions could be brought about from the strictly practical angle. In the first place, although it has received little publicity, it should be mentioned that there is already a degree of transferability, as well as a limited amount on a compulsory basis.

For instance, schemes can be drawn up to provide for a lump-sum payment from one to another so as to transfer the pension rights of a man when he leaves one scheme and joins another. In practice, of course, it does not often happen that *both* the schemes involved have this facility. Probably less than 5 per cent of the withdrawals are dealt with in this way, but it shows what can be achieved, in spite of certain practical difficulties which will be mentioned.

### Redundancy Benefit

The compulsory preservation referred to applies in the case of an employee who is dismissed for redundancy (but not for misconduct). If the pension scheme is not an approved superannuation fund, and the employee elects to leave his own contributions in the scheme (though, as already stated, not many do), the employer is not permitted to withdraw his own contributions. (It should be mentioned, however, that this legislation was not made primarily to help the employee but simply for tax reasons.)

Nevertheless, although limited in amount, the preservation necessary for contracting out of the State graduated pension scheme is wide. The usual procedure is for an employee to leave in the

scheme a part of his own contributions which corresponds to the pension being preserved. It has been suggested that this could be extended and that a condition of contracting out might be that vested rights should apply to *all* benefits, not merely as at present a right to equivalent benefits.

The argument against this is that it would be unfair to a company with a generous pension scheme which would be committed to the preservation of much greater benefits than a company which has low benefits or even none at all. As previously mentioned, however, seldom are fringe benefits given solely for philanthropic reasons. Even if full vested rights are given, there can still be a substantial inducement for employees to remain with the company.

This type of preservation could operate satisfactorily in cases where it can be ascertained just how much value has accrued in the period of service before an employee leaves – e.g. when a pension is earned on an annual basis as a proportion of salary paid during each year of service. There could, however, be considerable difference of opinion if this method were applied in a scheme

where the pension is linked to the *final* salary paid to an employee, when it is virtually impossible to tell how much pension benefit has been earned with the firm which the employee is leaving, the reason being that it is impossible to say with accuracy what the man would have earned in his last year before retirement had he stayed with the firm. He might have reached the top or he might not, quite apart from the fact that inflation is likely to continue to affect salaries.

Of course, a solution would be for rules to be drawn up for the rate of accrual of this type of pension. Nevertheless, it seems unlikely that a departing employee could expect to receive such a high pension as if he had spent his whole career with his final employer, and there are actuarial reasons why this should be so. In addition when a man moves from one employer to another, the chances are that he will receive a higher salary. Even supposing the hypothetical pension in such cases could be determined there could still be a difference of opinion between the actuaries of the two schemes as to what constituted a fair capital sum for transfer; for this may only be valued in the light of the yield earned by each fund.

## Setting Up Business in the Netherlands

CONTRIBUTED

IT is somewhat surprising that there are not more foreign-owned industrial enterprises in the Netherlands. Up to September 30th, 1962, over a thousand American companies had based their European operations in Switzerland against only two hundred-odd industrial subsidiaries in Holland, excluding commercial and service establishments.

This may possibly be explained, in part, by the fact that Switzerland has a banking system of international renown and is at the geographical centre of the European Economic Community, although not a member of it. Whilst Holland is the gateway to Western Europe and has, in Rotterdam, the second largest port in the world, its share of the gross national product of the Common Market is only 6 per cent. Between June 30th, 1952, and September 30th, 1962, however, the total number of foreign subsidiaries in Holland increased from ninety-eight to 397, with the British share showing an even sharper proportionate rise.

The Netherlands Government practises a policy of non-discrimination towards industrial activity by foreigners, and particularly welcomes

concerns which introduce products or manufacturing techniques that are new to the country or entail export opportunities. Before a new business may be started, or an existing business taken over in whole or in part by a non-resident, an investment permit is required. The application for such permit must be made in Dutch, English, German or French to the Department of Economic Affairs at The Hague, and it must also be approved by the Netherlands Bank in Amsterdam, which is the country's central bank. At least one of the joint-stock banks in Holland has a business development department which is prepared to give advice and assistance on financial subjects, legal and taxation matters, the finding of suitable locations and office space, the engagement of technical and clerical staffs, and on trade and market matters generally.

### Sites

Some parts of Holland are development areas, as in Britain, and certain towns in them have been designated as *industrialisatiekernen* (centres to be industrialized). Government inducements are given to new industries which set up in these

centres and to existing ones which expand there.

For a new building containing not less than five hundred square metres of usable floor area, a premium is given which amounts to fls. 35 per square metre (approximately ten and three-quarter square feet) of usable floor area for the first 2,000 square metres and increases at the rate of fls. 5 per square metre for each succeeding 2,000 square metres up to a maximum of fls. 75 per square metre; but the total premium payable must not exceed fls. 1,250,000 (roughly £125,000). To become eligible for this premium it is a pre-condition that the construction meets certain requirements and that the beneficiary agrees to provide employment for at least one male employee for every 100 square metres of new construction.

Moreover, in a centre, a reduction of 50 per cent of the purchase price or ground-rent of a site may be obtained in the case of land purchased or taken on long lease from the municipality, provided at least 20 per cent of the land is built upon. These centres (shown on a map issued by De Twentsche Bank) are quite numerous in the north-east – about thirty in all – but there are at least eight in the west and north-west. The cost of acquiring land, including broker's commission, notary's fee and registration duty, varies between about 6.9 and 8.2 per cent of the purchase price.

### Corporate Structure

The Netherlands commercial code provides for several forms of corporate enterprise, the most common of which are the *Naamloze Vennootschap* (N.V.), which is the equivalent of the British limited liability company, and the *vennootschap onder firma* or partnership.

Companies incorporated under the laws of other countries may operate through branches (which will then be treated, generally speaking, like a Dutch N.V.) or through wholly-owned subsidiaries, while foreign individuals and corporations may also act as partners in a *vennootschap onder firma*. Except for operations of relatively small size, it will usually be advisable to choose an N.V.

The N.V. is formed by two or more persons, either individual or corporate, executing an *akte van oprichting* (founding document) before a notary who keeps legal records under a patent issued by the national Government.

The *akte van oprichting*, commonly referred to as the *statuten*, must be in the Dutch language and combines in one document the by-laws and the

memorandum and articles of association of the company. Once the N.V. has been formed it need have no more than one stockholder, the capital of the company must be expressed in Dutch guilders, and the number of shares must be specified in the *statuten*.

Stockholders are only liable for the par value of their shares, and once a share has been fully paid its holder is relieved of all further liability. Shares may be registered or in bearer form, but shares without par value are not allowed. An increase in the authorized capital requires sanction by the general meeting of stockholders and can entail considerable expense and delay. Therefore an N.V. is often formed with an authorized capital which is much larger than the paid-up capital. At least 20 per cent of the authorized capital must be subscribed, and although it is legally possible to issue partly-paid shares, this course is seldom advisable.

As a rule, there are three separate and distinct powers in the N.V. – the stockholders, the management and the directors. Day-to-day decisions and administration are entirely in the hands of the management, the functions of the directors being of a supervisory character only. The law, however, allows a good deal of latitude in this respect and it is possible to dispense entirely with directors or to give one or more directors managerial powers.

Subject to limited exceptions, the supreme authority in the N.V. is vested in the general meeting of stockholders which must be held in Holland. Unless the *statuten* provides differently, each share entitles the holder to one vote, but no manager or director need be a shareholder. Much the same information as is required to be furnished to the Registrar of Companies in England has to be registered in the *Handel-register*, or commercial register, in Holland which, however, is not kept centrally but in the office of the local or regional Chamber of Commerce. An annual fee is payable to the Chamber based on the amount of 'invested capital' as defined.

There are no legal provisions dealing specifically with subsidiaries of foreign companies, and no provisions requiring directors or managers to be Dutch nationals or any part of the capital of a company to be held by Dutch nationals.

### Finance

As a rule the Netherlands Bank will not allow a business to be started by non-nationals unless they provide in convertible currency at least 50 per cent of the total capital required, but the bank

usually allows machinery or other business assets contributed to the business in exchange for shares to be treated on a par with convertible currency. The purpose of this rule is to ensure that any long-term loans raised in the Netherlands will stand in a reasonable proportion to the aliens' contribution to capital.

The Dutch commercial banks limit their credit facilities mainly to short-term loans of a self-liquidating nature. They rarely participate in the share capital of non-banking companies, but they will help occasionally to finance the fixed assets of a new venture by granting a loan for five to ten years in anticipation of a public issue of shares to be made in due course. If a commercial bank cannot satisfy all the credit requirements of a new business, it will assist in obtaining funds from other sources, such as insurance companies, pension funds, mortgage banks (including ships mortgage banks) and other institutional investors.

Funds for new companies may also be obtained in appropriate cases from two Government sponsored companies *Maatschappij tot Financiering van het National Herstel* (National Reconstruction Bank), and its offshoot *Nederlandse Participatie Maatschappij* (Netherlands Participation Company). The Reconstruction Bank grants long-term interest-bearing loans, whereas the Participation Company provides risk capital.

The Department of Economic Affairs is authorized to grant credits to further technical development, so as to bring to the production stage new products or techniques derived from research. An Industrial Guarantee Fund, established in 1961, provides a meeting ground for (a) savings that cannot or will not assume investment risks, and (b) small and medium-sized industries that have no access to the capital market. The fund may give a complete guarantee for the full amount of a loan plus interest as and when due, or a limited guarantee for a minimum dividend during a certain number of years.

The transfer in convertible currencies of profits, dividends, royalties and payments for services rendered is absolutely free and unlimited, and in case of liquidation or sale of the enterprise, the full proceeds can likewise be freely transferred to an unlimited amount.

### Taxation

Tax law in the Netherlands is highly developed and more than usually involved, but the attitude of the authorities is heavily weighted on the side of a fair and reasonable interpretation of the law, rather than a legalistic insistence on its literal

construction. The Government relies upon direct taxation as the main source of revenue, and two-thirds of the amount comes from personal income tax. Such dependence upon direct taxation has no parallel in Europe.

A domestic company is liable to tax, in principle, on income and profits of all kinds whether from domestic or foreign sources. For this purpose, a company formed under Dutch law is a domestic company wherever its centre of management may be situated. Companies incorporated under foreign law are treated as domestic if their centre of management is in the Netherlands; other foreign companies are liable to company tax only on income from Dutch sources.

If taxable profits are less than fls. 40,000, the rate of tax is 42 per cent. If they are more than fls. 40,000 but less than fls. 50,000, the rate is 42 per cent, plus 15 per cent of the excess over fls. 40,000. On fls. 50,000 or over the rate is 45 per cent of the entire taxable profit. Capital gains of all kinds are chargeable, together with other profits in the case of companies; but various legal and professional expenses, which in the United Kingdom would be regarded as capital expenditure, are deductible in the Netherlands.

### Depreciation

Depreciation is allowed for buildings and other business assets which have a limited life. The taxpayer may use the straight-line method, the reducing-balance method or a method based on the extent of usage during the year, e.g. mileage for vehicles. Rates of depreciation are not very different from the basis rates applicable in the United Kingdom, but the method and the rate first adopted must be used consistently throughout the life of the asset. Profits or losses on the sale or retirement of an asset must be brought into the computation.

In the case of assets acquired after April 29th, 1960, 33½ per cent may be written off at an accelerated rate up to a maximum of 8½ per cent of the cost per annum; but this accelerated depreciation is limited to 6 per cent on factory buildings and is not allowed on office equipment. During the first two years after the acquisition or improvement of an asset involving fls. 3,000 or more, an additional 5 per cent of the cost is deductible from profits without reducing the book value of the asset.

Losses sustained during the first six fiscal years of a new company's existence may be deducted from profits made during any subsequent year, but losses sustained in the seventh and later years



may only be carried forward for six years. They may, however, also be carried back to the next preceding year.

A curious feature of Dutch law is that it provides for advance payment of company tax. A provisional assessment may be made after the seventh month following the commencement of the accounting year, usually on the basis of three-quarters of the previous year's profits. Not later than six months from the end of the year, a final return of income must be rendered on the basis of which an additional assessment, or refund of tax, is made. But the authorities' practice of carrying out inspection and audit of several years' returns together results in considerable delay in the final determination of liability.

There is a special tax (*Commissarissenbelasting*) payable on fees collected by directors who are not engaged in day-to-day executive work but whose duties are supervisory. The first fls. 1,000 are exempt, but fees over fls. 1,000 and under fls. 5,000 are taxed at 30 per cent, and those over fls. 5,000 at 50 per cent. The tax is withheld by the company, which may treat the entire fee as a deductible expense; but the amount received by the director net of tax must be added to his income from other sources and is subject to income tax at the usual rates.

### P.A.Y.E

Wages and salaries are subject to a form of P.A.Y.E. (*Loonbelasting*), and the tax so deducted is treated as a payment on account of income tax subsequently assessed. Dividend tax is withheld by the company paying the dividend, and may be deducted from the shareholder's liability for personal and corporate income tax. The rate is 15 per cent but may be increased to 25 per cent if a Bill now pending is enacted. Residents of countries that have concluded treaties with the Netherlands concerning double taxation may be able to collect their dividends free of this tax, and there are also provisions for the avoidance of double company tax on inter-company dividends.

Turnover tax is levied at various stages in the progress of a manufactured article on its way from the manufacturer to the consumer. It also applies to most services. On non-luxury merchandise sold by the manufacturer to a wholesaler or retailer the rate is 5 per cent; on non-luxury merchandise sold by the manufacturer to the consumer it is 4 per cent; and on sales between traders (importers, wholesalers, dealers) it is three-quarters of 1 per cent. On a few luxury items the rate is as high as 18 per cent, but on services it is between 3 and 4 per cent. Sales by

retailers to the public are not subject to the tax and many necessities of life, including all textiles, are exempt at all stages. Excise taxes are levied only on beer, spirits, tobacco, sugar and petrol. Personal taxation is complicated and is outside the scope of this article.

### Social Security

A number of social security laws have been passed in the Netherlands over the years, which provide wage and salary earners with benefits for occupational disability, general health and accident insurance, and old-age pensions. Moreover, most persons with one or more dependent children under 16 years of age receive certain quarterly sums out of children's compensation funds.

Some employers provide additional benefits, such as voluntary group insurance, contributions to sports and social clubs, and savings plans. Some extra benefits, such as additional paid holidays, have become standard by being included in industry-wide labour contracts, and if all these special concessions are taken into account the total spent by the employer on social security and other benefits may rise from some 17.5 per cent to between 30 and 40 per cent of his payroll.

However, the country has a remarkable record of industrial peace and strikes are very rare. The Government combines a full employment policy with a policy of keeping wage and price levels from rising too fast. Certain matters that in other countries would be left to the forces of supply and demand, are prescribed by law, and as part of an effort to prevent hidden wage increases from being given in the form of excessively generous special benefits, vacation bonuses are limited by law to a maximum of 4 per cent of a workman's annual wages.

Termination provisions are not unduly hard on the employer. The national labour law requires that notice be given in proportion to the length of time the employee has been in the employer's service. In most cases the notice varies from one week to a month, and even in the case of longer contracts the law does not require notice of more than thirteen weeks, although in the case of individual or collective contracts notice of not more than six months may be provided.

By and large, apart from the intricacies of Dutch tax law, setting up business in the Netherlands is not widely different from setting up business in Britain. And, as has been seen, direct company taxation is considerably lower, taking profits tax into account, than it is in the United Kingdom.



# Weekly Notes

## 'KNOW-HOW' PAYMENTS TAXABLE

THE House of Lords has dismissed the appeal of the English Electric Co Ltd against the decision that payments made to it for 'know-how' formed part of the taxable receipts of the company's trade. The payments came from the Admiralty, the Government of Australia, and the Glenn Martin Company of America and ran into six figures in each of the three years 1950-52. In the Admiralty agreement the consideration for the lump-sum payments was described as 'manufacturing technique, engineering data and other information necessary for the manufacture by other firms of steam turbines to the design' of English Electric. The company had persuaded the Special Commissioners, before the *Rolls Royce* decision, and after the decision in *Moriarty v. Evans Medical Supplies Ltd* (37 A.T.C. 277), that the payments were capital receipts in the company's hands. It is now held that the case does not fall within the *Evans* principle, but within the

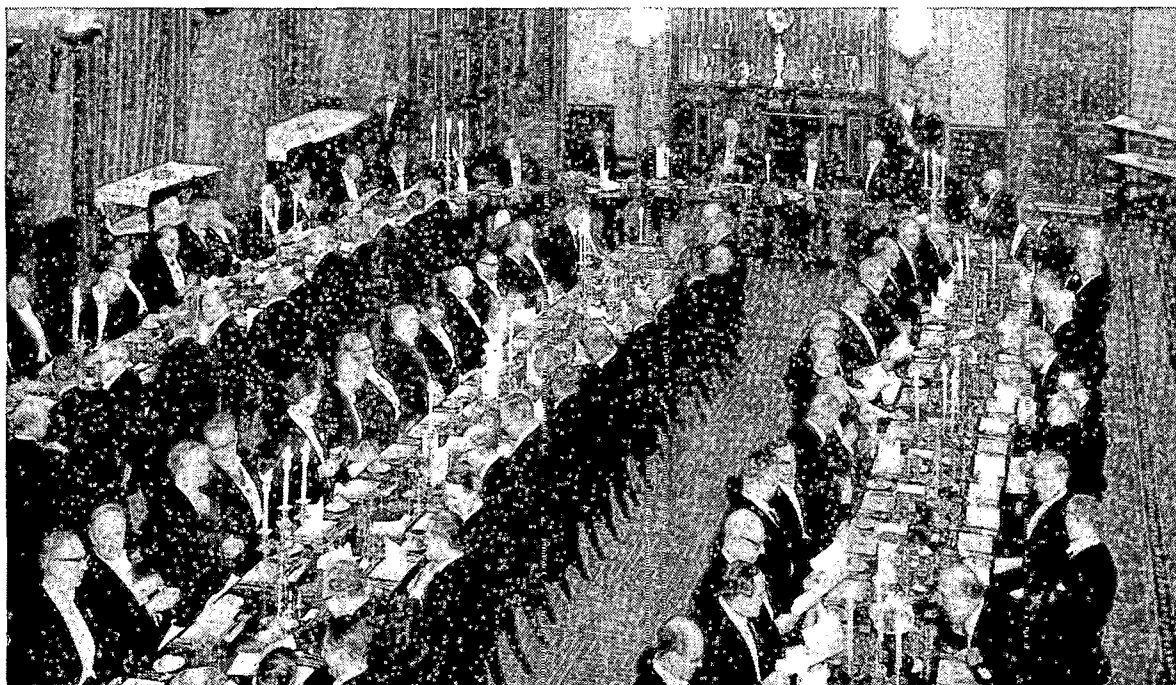
principle established in *Rolls-Royce Ltd v. Jeffery* (41 A.T.C. 17).

Lord Donovan enumerated the distinctions from the *Rolls-Royce* case which the company had put forward, and added that even if they were all established, they constituted a distinction without a difference. Fundamentally, the payments were for services rendered (*The Times*, April 9th).

## LIBERALIZING THE CAPITAL MARKET

A BOOKLET called *A Turntable for Capital* has been issued under the auspices of the Bow Group dealing with the need to increase the availability of the City of London to businesses on the Continent. It is fairly common ground that continental countries have a less well developed capital market than is available in London. The problem has always been to eliminate the various drawbacks, some of them connected with taxation, which impede the Continent from using London more extensively.

The pamphlet suggests that there are two sets of obstacles in the way of progress. The first of these is the fear which the effect of the liberalization of capital transactions would have on the British balance of payments and hence on the international value of sterling. The author suggests that substantial savings



**President's Dinner.** Mr R. P. Winter, President of The Institute of Chartered Accountants in England and Wales, gave a dinner in Fishmongers' Hall, London, on April 8th, when the principal guests were The Earl of Cromer, The Viscount Simon, and The Hon. Mr Justice Megaw. The following guests from overseas were also present: Mr H. C. Treffers, Vice-President, Union Européenne des Experts Comptables Economiques et Financiers; Monsieur F-M. Richard, President, Ninth International Congress of Accountants; Professor G. L. Groeneveld, President, Nederlands Instituut van Accountants; Mr Hermann Greiffenhagen, President, Institut der Wirtschaftsprüfer in Deutschland e.V.; Mr A. L. de Bruyne, Director, Nederlands Instituut van Accountants; Doctor W. Dieterich, Director, Institut der Wirtschaftsprüfer in Deutschland e.V.; The Hon. C. W. M. Court, O.B.E., M.L.A., Minister for Industrial Development, Minister for Railways, Minister for the North-west in the Government of Western Australia; and Mr K. G. Jensen, President, Föreningen af Statsautoriserede Revisorer.

should be attracted from the Continent which would act as a float of capital which could be available for export to the Continent. The pamphlet goes on to say that if these savings are to be attracted certain reforms would be necessary in the London capital market; these would include the abolition of stamp duty, the amalgamation of security and external sterling, the payment of interest on fixed interest stock without deduction of income tax and the adoption of a decimal currency in this country.

### STOCK EXCHANGE STATISTICS

**A**NALYSING some seven thousand five hundred securities quoted on the London market, the Stock Exchange's annual statistical exercise shows that

the value of quoted securities rose by £4,645 million during the year to £46,718 million – an increase of 11 per cent. The nominal capital quoted rose by £1,428 million to £32,220 million, a rise of 4.6 per cent.

Omitted from the figures are those for non-sterling securities, shares of companies registered and managed overseas, no par value securities, annuities and investment trust companies.

The greater part of the increase in value was recorded in ordinary shares which rose in market value by £4,246 million to a new peak of £25,450 million. The value of loan capital quoted increased by £323 million to £20,095 million, with the market

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 220

**T**HE chairman greeted me in his usual genial fashion and opened the discussion by producing a folder bulging with dividend tops. 'Perhaps you'd check over these in future,' he beamed. 'Fellow who used to do the job's gone away.'

Our worthy chief has a happy knack of unloading his worries, be they private house repairs or motor insurance or theatre bookings, on appropriate members of the staff for expert solution. We don't mind. It's all in the game and we take some little pride in helping the old man; but he's not the ideal colleague. He always keeps a card up his sleeve. Thus when I asked him for a schedule of his investments in order to keep a control check on his holdings, he hummed and hawed. 'Don't quite know if I have such a thing, not an up-to-date list anyhow,' he pondered. 'Perhaps you'd prepare a new one from these vouchers.'

I knew he had a list, of course, but there are items included on it which he's unwilling to disclose, so he lets me work on a partial summary which he's foxy enough to examine in detail later. However, that's his privilege, so I fell to on the vouchers, brooding over the unnecessary complexities of modern taxation.

Why, in the name of common sense, in this day and age when efficiency is the watchword, must we still retain these petty stupidities in our tax code? Why must we pile up unnecessary and footling labour-making devices? Time was when we could simply reclaim the actual tax deduction without more ado; but now we must calculate a monstrosity of a special rate to two decimal places, because of foreign credits and so on. Why can't companies be allowed to settle that one at source in one operation, thus saving shareholders a load of trouble.

Then we have the silly farce of striking a different

rate and amount every couple of years or so for the reduced rate allowance. Assuming that we must have the reduced rate at all, why not decide on fixed amounts to stand for the next twenty years? I ask you, £60 at 2s 3d for 1955–59 and then at 1s 9d 'til 1962–53. I picture the Chancellor, and all the shadow Chancellors and replacement Chancellors, hands clasped on the Mace, ringed with Beefeaters in hollow square, solemnly pledging: 'That this heretofore and aforesaid £100 at 4s shall remain inviolate, unalterable, sacrosanct, and intact 'til Birnam wood do come to Dunsinane . . .'

Admittedly unlikely, but think of the time it would save for accountants.

Then consider surtax. Is there any reason outside crusted and inept conservatism for maintaining surtax as a separate calculation on a separate basis? Dividends for the current year, dividends for the preceding year, distinct from P.A.Y.E. or otherwise at option, mortgage interest . . . surely it should be merged with P.A.Y.E. Adjustments could be made at intervals . . . where are all these Chancellors? Listening to Gilbert and Sullivan, probably.

All of which naturally leads on to profits tax. Again we find two taxes laboriously duplicating the work of one, following the preceding pattern. Again the basic calculation is different, and the period, and the date of payment, and the allowances, and the carry-forwards or non-allowances thereof. If the profession could act in concert and insist on none but qualified accountants staffing and heading the Exchequer departments, if necessary sitting down in twelve-deep files of mute protest around the Mother of Parliaments, insisting on reform, one tax payable monthly on accounting – certified profits as with P.A.Y.E. . . . Picture the inflexible, unyielding ranks, . . . the wondering, awestruck, crowds . . . the baffled policemen . . . the Prime Minister threatening, gesturing . . . then cajoling, yielding . . . the millenium at last.

'I say, old chap, do you feel all right?' asked the chairman. 'You've had such an odd look on your face for the last minute or two.'

value of preference capital rising by £76 million to £1,173 million.

The total amount of gross interest and dividends distributed in 1963 was £2,105 million. It is estimated, however, that because of tax, institutional investment holdings and investment duplication, not more than £805 million can possibly reach the pool of personal disposable income.

That figure is compared in the statistics with the estimated £14,000 million left for personal consumption by wage and salary earnings out of a gross wages and salaries figure of £16,230 million.

### MERCHANTS' EXPECTATION OF EXPORTS

THE Association of British Chambers of Commerce has now published the results of its seventh inquiry into the experience and expectations of United Kingdom merchants engaged in foreign trade. The coverage shows little change from previous inquiries and is fairly heavily weighted in the

direction of textiles both for imports and exports.

Most merchants are optimistic about general business conditions, including exports, although the degree of optimism is not as high as four months ago, but this is partly because the outlook recorded last time was already highly optimistic and a big further change in sentiment in the direction of optimism was hardly to be expected. Most exporters record a higher rate of export orders received over the past four months and about two-thirds of them say that prices have increased. Present prospects are expected to continue but many expect higher prices. In the case of imports prices are generally expected to increase rather than decline. It is the bigger firms which expect export prices to rise and import prices to remain comparatively unchanged.

Trade prospects are less optimistic for India, Pakistan and Ceylon and some (particularly in textiles) speak of deterioration in North and South America, Africa and South-east Asia. The outlook is considered bright in Communist countries, but the numbers reporting on these markets were small.

## Finance and Commerce

### Reducing Stocks

SOME time ago, we referred in this column to a company which lost a lot of money because fashion failed to change. The company manufactured women's shoes and the amount involved was in the region of £½ million. All was set for a change in fashion, said those who were supposed to know – not least the fashion writers – and the shoes were made to meet the demand. But the fair sex just wouldn't take to them.

This memory from the past sprang at once to mind when viewing the 1963 accounts of Lotus Ltd and the £100,000 that has been transferred to Fashion Merchandise Reserve. The accounts provide this week's reprint.

Mr James Bostock, the chairman, opens the subject by reference to a reduction in the bank overdraft from £638,781 to £162,250, principally, he says, because the improved profits have been accompanied by a decrease in stock-in-trade of £362,384.

This decrease is entirely accounted for by a drastic reduction in the number of finished shoes held on shelves, a reduction that has been a 'deliberate and expensive one'.

Mr Bostock explains that 'in these days of rapidly changing fashions, heavy stocks can easily result in large write-downs and so, by lowering our stock, we have lowered our risk'.

### Middle of the Road

It is still the intention to develop to the full the company's traditional 'middle of the road' business, Mr Bostock continues, but fashion merchandise is expected to account for a higher proportion of the business in future.

'We propose', he says, 'to provide for future contingencies in this direction by the creation of a new reserve called Fashion Merchandise Reserve to which has been transferred £100,000.'

'Fashion, by its nature, involves both opportunity and risk; to go into it with cold feet is asking for trouble – a spirit of adventure is essential. Mistakes should be quickly and ruthlessly recognized and met out of current profits, apart from exceptional cases. It is against the latter that we have thought it wise to make this reserve.'

Included in the chairman's statement is the following statistical table which in simple manner puts across a very telling story.

	1961	1963
Average retail price	100	103
Average factory price of shoes produced	100	95
Output in pairs	100	123
Number of factory operatives employed	100	101
Pairs produced per operative	100	121
Labour cost per pair	100	91
Average wage per operative	100	107
Factory overheads per pair	100	83
Floor space per pair produced	100	77

Mr Bostock leads up to it by reporting that competition in the shoe industry is as keen as ever, expenses rising continuously but retail prices rising only very

slightly. Satisfactory profit margins can only be attained by adopting new cost-saving techniques while keeping an ever-watchful eye on overheads. He gives the implications of the figures that readers will readily note for themselves, pointing out that the reduced factory price was needed to take care of the 1962 purchase tax increase from  $5\frac{1}{2}$  to 10 per cent, and to cover higher retail margins.

### Prompt Accounting

Another point to which he gives special attention is the striking saving in floor space per pair produced. This has been brought about by a wholesale adoption in the company's women's factories of power tracks in place of the traditional twelve-pair rack system. The men's factory in Northampton is now being reorganized on similar lines.

These tracks not only save floor space but also

valuable time which, says Mr Bostock, is a most important factor in giving a quick repeat service to customers. The time a shoe is on the last has been reduced from about three days to about fifty minutes and, because of improved mulling and drying methods the quality of lasting is actually better.

Production and sales both constituted a record and all the main divisions of the business have shown increased profits. The accounts, it will be noted, provide an instance of concentrated view followed by extensive schedules. Readers thus have the opportunity of deciding for themselves for or against this style of drafting.

One point well deserves highlighting: the accounts for the year to December 31st, 1963, were issued for publication on February 26th, a notable instance of prompt accounting by a manufacturing and retailing company.

### LOTUS LTD. AND SUBSIDIARIES CONSOLIDATED PROFIT & LOSS ACCOUNT for the year ended 31st December, 1963

	£	1963	£	1962	£
<b>TRADING SURPLUS</b> after charging the items listed in Schedule 1 .. .. .			465,600		232,055
Add <b>SUNDRY REVENUE</b> —Schedule 2 .. .. .			1,267		1,570
<b>PROFIT BEFORE TAXATION</b> .. .. .			466,867		233,625
Deduct <b>TAXATION</b> —Schedule 3 .. .. .			239,660		109,157
<b>NET PROFIT AFTER TAXATION</b> .. .. .			£227,207		£124,468
(of which £134,918 (1962—£86,370) has been dealt with in the accounts of the parent company)					
Appropriated as follows:					
<b>TRANSFER TO FASHION MERCHANDISE RESERVE</b> .. .. .			100,000		—
Transfer to General Reserves .. .. .			—		5,358
<b>DIVIDENDS</b> , less Income Tax, on .. .. .					
7% Cumulative Preference Shares .. .. .			15,001		15,003
Ordinary Shares: Interim of 2½% (2½%) paid 30th August, 1963 .. .. .			20,836		20,835
Final of 10% (7½) proposed .. .. .			83,341		62,506
			119,178		98,344
<b>ADDITION TO UNDISTRIBUTED PROFITS</b> .. .. .			8,029		20,766
<b>TOTAL APPROPRIATED</b> .. .. .			£227,207		£124,468

### BALANCE SHEETS as at 31st December, 1963

Parent Company				Consolidated Balance Sheet	
1962	1963			1963	1962
£	£			£	£
350,000	350,000	<b>Capital</b> issued and fully paid .. .. .	1963	350,000	350,000
1,360,716	1,360,716	7% Cumulative Preference Shares of £1 each .. .. .	£350,000	1,360,716	1,360,716
		Ordinary Shares of 5s. 0d. each .. .. .	1,500,000		
1,710,716	1,710,716		£1,850,000	1,710,716	1,710,716
76,404	76,404	<b>Capital Reserves</b> —Schedule 4 .. .. .		589,481	576,725
410,517	419,145	<b>Revenue Reserves</b> —Schedule 5 .. .. .		938,447	837,530
£2,197,637	£2,206,265	<b>TOTAL CAPITAL AND RESERVES</b> .. .. .		£3,238,644	£3,124,971
770,219	782,033	Which are invested in:			
283,460	280,768	<b>Fixed Assets</b> —Schedule 6 .. .. .		1,475,769	1,462,226
1,165,458	1,203,464	<b>Investments</b> —Schedule 7 .. .. .		37,723	37,513
		<b>Net Current Assets</b> —Schedule 8 .. .. .		1,904,445	1,711,783
2,219,137	2,266,265			3,417,937	3,211,524
21,500	60,000	Less <b>Amount set aside for Income Tax</b> 1964/65 .. .. .		179,293	86,553
£2,197,637	£2,206,265	<b>NET ASSETS OF THE GROUP</b> .. .. .		£3,238,644	£3,124,971

JAMES BOSTOCK  
H. SIMON  
GILBERT H. BOSTOCK, Secretary

} Directors

**SCHEDULES to the Accounts for the year ended 31st December, 1963**[illegible]

## CITY NOTES

THE decision to hold the General Election in the autumn has given the stock-market a new lease of life and, with the Budget out of the way, speculative sights are being set on what is hoped will be a profitable six months' market run.

In recent weeks the flow of good company profit and dividend news has been offset in market terms by the prevailing political doubt, but with that uncertainty removed there is considered to be more scope for true reflection of the rising profit and dividend trend.

The Budget was not expected to be anti-inflationary in character through the paring down of Government spending. The Chancellor's obvious task was to raise Government income to cover that spending. The Budget has therefore helped the inflationary view in the market.

Whether early optimism on these points will prove soundly based is something for the next few months to show. Within three months the market will have to begin reassessing political prospects all over again. For the time being the view is that the Government which, to judge from the County Council elections, could not have won a June General Election has a chance of pulling it off in October.

Since October is still far enough off to allow optimism to be given full rein, the equity market could show to advantage in the next few months.

THE attainment of asset milestones by building societies is always faithfully recorded but the recording inevitably points to the pace of inflation in recent years. The Leeds Permanent Building Society, formed in 1848, took until 1956 to reach the £100 million asset mark.

The next £100 million, however, took the society

only eight years to accumulate, the £200 million mark having just been passed. The Society, the fifth largest in the country, is currently granting home loans at the rate of more than £1 million a week. One wonders what the worthy gentlemen of 1848 would think about that.

WITH the time for gardening and other thirst developing pursuits upon us, some statistics from The Metal Box Company are of more than passing interest. The company has, in the past year, more than trebled its sales of 4-pint and 7-pint cans for draught beer. The '7-pinter' was introduced for the Christmas season of 1959 and the '4-pinter' in 1963. The first full year of production totalled 200,000 cans but during 1963-64 three million cans were sold, estimated to have contained  $2\frac{1}{4}$  million gallons of draught beer. Production of the 4-pint size is expected to catch up and overtake that of the 7-pint this year.

THE current hall-mark of success in the textile industry is to attract the attention of either Imperial Chemical Industries or Courtaulds – or of one of the companies in which either of those two groups has invested heavily. The Klinger Manufacturing Company – making specialized textile machinery – is the latest group to receive the I.C.I. accolade.

I.C.I. is taking up 309,555 new 5s Klinger shares at 60s and is buying a like amount from Enstock Trust out of that company's 27.2 per cent Klinger equity interest. In addition I.C.I. is making up to £2 million available to Klinger on a loan stock basis.

The deal follows closely the pattern of the agreement between I.C.I. and the Viyella International group.

## RATES AND PRICES

*Closing prices, Wednesday, April 15th, 1964*

**Tax Reserve Certificates:** interest rate 28.3.64 2 $\frac{3}{4}$ %

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79½	Frankfurt	11.12½
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02½	Milan	1.749
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.09½	Oslo	20.00½
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.34½	Paris	13.71½
				Copenhagen	19.30½	Zürich	12.09½
Treasury Bills							
Feb. 7	£3 15s	5.97d%	March 13	£4 5s	11.85d%		
Feb. 14	£3 15s	6.84d%	March 20	£4 5s	11.94d%		
Feb. 21	£3 15s	8.80d%	March 26	£4 6s	0.41d%		
Feb. 28	£4 6s	1.66d%	April 3	£4 6s	0.12d%		
March 6	£4 6s	0.42d%	April 10	£4 6s	0.25d%		
Money Rates				Gilt-edged			
Day to day	3½-4½%	<i>Bank Bills</i>		Consols 4%	66½	Funding 3%	59-69
7 days	3½-4½%	2 months	4½-4¾%	Consols 2½%	42½	Savings 3%	60-70
<i>Prime Trade Bills</i>		3 months	4½-4¾%	Conversion 6% 1972	104 13/16	Savings 3%	65-75
3 months	5½-6%	4 months	4½-4¾%	Conversion 5½% 1974	100 1/16	Savings 2½%	64-67
4 months	5½-6%	6 months	4½-4¾%	Conversion 5% 1971	99 1/16	Treas'ry 5½%	2008-12
6 months	6-7%			Conversion 3½% 1969	92 3/8	Treasury 5%	86-89
				Conversion 3½%	57½	Treasury 3½%	77-80
				Funding 5½% 82-84	97½	Treasury 3½%	79-81
				Funding 4% 60-90	92½	Treasury 2½%	41½
				Funding 3½% 99-04	96 5/16	Victory 4%	96½
				Funding 3% 66-68	61½	War Loan 3½%	59

# Reviews

## A Textbook of Business Communications

By R. T. CHAPPELL, B.SC.(ECON.), D.P.A., F.C.C.S., A.M.B.I.M., and W. L. READ, B.SC.(ECON.), A.C.I.S., A.M.B.I.M. (Macdonald & Evans Ltd, London. 17s 6d net.)

There is a reasonable fund of literature available to those who wish to study in private the theory of writing good English reports, letters and other forms of communication, without falling into the errors of over-elaboration on the one hand or over-condescension on the other.

The classics are probably such works as *Modern English Usage*, *The King's English*, and *Roget's Thesaurus*. To these we may certainly add Sir Ernest Gowers' *Complete Plain Words* and, if we seek for a work of special use to accountants, there is Sir Arthur Cutforth's 'Report Writing' (*The Accountant*, January 10th, 1925), which to this reviewer's knowledge is the only essay on the subject in Britain though there are books available in the U.S.A. among them the U.S. Government's recent excellent publication *The Language of Audit Reports*. Recently, too, we have seen an admirable American book, *Financial Public Relations* by Oscar M. Beveridge (McGraw-Hill Book Company, Inc.) – which merits and will receive a fuller review on its own account – dealing with public relations as well as internal relations.

The present book, however, concentrates mainly on domestic relations; tracing first the communication lines in an organization, and then giving excellent advice on how the written and the spoken word, respectively, are to be used to the best advantage and how to avoid the pitfalls *en route*.

The authors examine the essentials of précis writing and then, using a Government report as an example, explain how a good business report can be produced and indexed. An examination of committee work and procedure follows, and then a brief chapter on external communications. Little, however, can be found about the matters which would be of most interest to accountants – the annual company report, interim statements and so forth. These are mentioned, but briefly.

It is, however, inappropriate to compare this book with the exhaustive work of Mr Beveridge. It is a modest book at a modest price, and achieves its objects as an introductory textbook of demonstrating the necessity of good communications in businesses, including the art of joint industrial consultation. It will prove an excellent aid to secretarial and management students; and its chapters on report writing are a valuable addition to existing bibliography. It will probably be most successful as a book to be used by

class teachers in management subjects, since it poses many questions for discussion in groups, the answers to which are not necessarily absolute.

## Efficient Accounting Methods

By HOWARD F. WILSON. (Gee & Co (Publishers) Ltd, London. 30s net.)

Whereas in former days there was room in the majority of book-keeping textbooks to deal fairly adequately with recording methods, this is no longer so. Book-keeping and accounts have become a more complex study, and there is now such a proliferation of recording methods and book-keeping techniques that merely to list them covers many pages. Nevertheless, as Mr Wilson points out in the introduction to his book, when a young accountant goes into commerce he soon discovers that before he can do anything with figures he has first to get them. It is such young men, as well as practitioners, who may be asked by their clients to advise on clerical methods, and accountancy students who in the future will have to know more about this subject, that this book seeks to help.

The book is conveniently broken down into short chapters and is divided into two parts. Part I is a general introduction into the problems of recording and deals with form design, the processing of basic documents, classification and coding, sorting, filing and the book-keeping entries themselves. Part II on mechanization, considers the different types of machines which can be used in office work and ends with a brief section on recent developments in the field.

To cover such a wide field in a book of 155 pages might be regarded as an almost impossible task; nevertheless, the author has made a brave attempt to compare and evaluate some of the methods he describes. Many common-sense observations on the uses and misuses of carbon copies and the problems which human attitudes engender are to be found; and the author is obviously familiar with the often primitive recording methods still used by many British firms.

The chief weakness of the book may be said to stem from the lack of a theoretical basis for its contents. Whether such a book should proceed from work study or from the wider field of information theory is a debatable point, but a textbook should have a sound scientific basis. Perhaps for this reason there are important omissions, notably discussion of the voucher system which underlies ledgerless accounting and the manual copywriter system which links manual book-keeping with mechanization. Computers are dealt with purely as high-speed book-keeping machines, and the difference between mechanization and automation is nowhere brought out. However, the book concludes with a useful bibliography and provides an interesting and often provocative introduction to the further study of more specialized works.



**Insurances of Local and Public Authorities**

by J. W. B. GREGORY, J. A. HUNT, P. C. STONE, G. B. SUTTON and L. F. WILLS. (Institute of Municipal Treasurers and Accountants, London. Price 42s post free).

This is a research study initiated by The Institute of Municipal Treasurers and Accountants and undertaken by a team of five specialists – three of whom are employed by local authorities and two by nationalized industries. As stated in the introduction, the purpose of the research was to find out in what ways the insurances of authorities may be improved, and it is clear from the text of the book that considerable improvement is possible.

From the point of view of the practitioner in local government finance (and, indeed, in industrial or commercial enterprise), as well as the student this research product should prove to be invaluable. The subject-matter is very clearly dealt with in all its aspects and it is evident that the researchers have spared no pains to ensure the completeness of the information given. The chapters have been well arranged and cover: fire, motor vehicle, public liability, employer's liability, money, fidelity guarantee, burglary, 'all risks', personal accident, engineering, contingency and other insurances. An interesting chapter is also included explaining the method used by insurance companies in rating the risks. Appendices give (1) definitions of certain principles to which, besides the general principles of the law of contract, a contract of insurance is subject, and (2) the particular features of the specific instructions issued by the Ministry of Education on school meals insurance – a subject in itself of wide application.

The book is provided with a very adequate index – though perhaps an additional cross-index would have increased the reference utility. A minor criticism is that in regard to money and fidelity guarantee insurances, a specimen or draft of the suggested *combined* policy could well have been included – in practice this is most useful; also, there is no reference to marine insurance, though this is a more specialized subject which affects only a few of the larger authorities.

The authors of the book have accomplished an excellent treatise on a wide subject in a small compass and they are to be warmly congratulated.

**Handbook of Sampling for Auditing and Accounting**

Volume I – Methods, by HERBERT ARKIN. (McGraw-Hill Publishing Co Ltd, McGraw-Hill House, Shoppenhangers Road, Maidenhead, Berks. £5 net.)

This is one of the best of the growing number of books at present available to the auditor on the technique of statistical sampling. The use of this technique by professional accountants is in its early stages in many offices and though practical experience will no doubt teach many useful lessons, some

knowledge of statistics is essential if the practitioner is to apply the sampling theory scientifically.

There is a temptation on the part of many who have been qualified by a special training in statistical method to write about their subject as though all their readers are fully appraised of the subject and can recall their knowledge of applied mathematics from their school days. Fortunately Professor Arkin is not one of these, and his book is not only readable but, having been prepared for the training of staff of one of the largest firms of public accountants in the U.S.A., authoritative and practical as well.

The author starts by explaining the scientific basis for the use of statistical sampling, going on to explain the various different types of sampling and the particular use which each type can most appropriately fit. Then follow chapters setting forth elementary statistical theory; the use of estimation sampling to determine the size of the sample; the appraisal of the result (attribute sampling or variable sampling); the use of discovery sampling for the interpretation of the frequency of errors through probability sampling applied to discovery sampling tables; the use of acceptance sampling and other methods, e.g. stratified and cluster samples, multistage and replicated sampling.

One of the major contributions of this work to a positive evaluation of the place of statistical sampling in auditing techniques is that it makes it quite clear that this is only one of many methods of improving the quality of auditors' work and of making a more scientific use of the time spent on depth auditing. The book also contains complete sets of tables of random numbers, attributes samples, sample reliability, averages, probabilities, acceptance sampling plans and errors, etc.

Every practitioner who is considering the value of sampling in auditing, will find Professor Arkin's views very stimulating and his survey of the field most helpful, even if his views on the comparative merits of different samples are not always shared.

**Trust Accounts**

(Third Edition.) By PETER M. B. ROWLAND, B.A., LL.B. (Butterworth & Co (Publishers) Ltd, London, 50s net, postage 2s 3d.)

The third edition of this well-known book contains a new introduction explaining the author's views on single entry as a suitable method of keeping trust accounts (but not other accounts). Even in this form and with up-to-date and excellent examples in the second section of this 'double-book' form of publication (in which text and examples may be studied side by side), accountants will in general find it hard to accept that this system can be the answer to more than the more straightforward trust, though it may well be easier to prepare informative statements for the layman from a well-kept single entry system of the type advocated by the author, than badly-kept double-entry books.



The cases have been brought up to date, and the whole text reviewed in the light of the Trustee Investments Act, 1961, though little is said of the Variation of Trust Acts.

What the author has to say about the value of an epitome of the will and the trust journal is most apt, and this new edition will be a standard choice for many solicitors and laymen. As the author rightly observes, however, in cases of particular complexity it will be right to call in aid the services of both solicitors and accountants whose fees may properly be paid from trust funds, and it is probable that most accountants will prefer to continue to use their own method of accounting. Nevertheless, the narrative volume contains many useful references to the law of trusts and the effect of cases cited.

### Financial Public Relations

By OSCAR M. BEVERIDGE. (McGraw-Hill Publishing Co Ltd, McGraw-Hill House, Shoppenhangers Road, Maidenhead, Berks. 74s net.)

This is a somewhat unusual book addressed to those responsible for public corporation images on the need to use all possible methods of reaching the various categories of 'public': stockholders, stock exchanges, investment analysts, customers, employees and financial journalists. Despite the extravagant claims of its advertisement and its dust cover, this is a rewarding book to use as a basis from which to examine the performance of companies in efficient public relations.

The author uses his opening chapters to establish the need for good public relations; he then goes on to examine the best ways to reach each section of the public (e.g. investors when take-over bids recur).

From the accountant's viewpoint, however, there must be a limit on the extent to which accounting reports should be used for purposes of pure publicity, and this is perhaps overlooked by the author in his enthusiasm for his subject. In fact, enthusiasm is the keynote of the book and will encourage many who might instinctively flinch from so wholesale an approach to the subject to study the many really excellent suggestions to cover opportunities so often ignored by company directors.

The author is well justified in devoting a book to this subject; there seems, on reflection, little in it which is superfluous, and if the reader expects advocacy of 'glossy' reports (the pride of the advertising manager), he will be pleasantly surprised to find the author warning against over-elaborate reports or chairmen's statements which are not relevant, interesting or readable.

### RECENT PUBLICATIONS

HOTELS AND RESTAURANTS IN GREAT BRITAIN AND IRELAND with a section for establishments overseas 1964, thirty-sixth edition. xvi+570 pp. 8×5½. Card covers. 3s 6d. Published annually by the British Hotels & Restaurants Association, 88 Brook Street, London W1.

CONTRACTS OF EMPLOYMENT in relation to the Contracts of Employment Act, 1963, by D. K. Dix. xxii+124 pp. 9×6. 27s 6d, postage 1s 2d extra. Butterworth & Co (Publishers) Ltd, London.

SERGEANT ON STAMP DUTIES, Supplement to Fourth edition, by B. J. Sims, LL.B. Consultant editors J. B. Hodgson and A. K. Tavaré, LL.B. ix+52 pp. 10×6. Paper covers. 10s 6d, postage 5d extra. Combined with main work 95s, postage 2s 3d extra. Butterworth & Co (Publishers) Ltd, London.

OPPORTUNITY FOR INDUSTRY IN THE RHODESIAS AND NYASALAND. Federal Ministry of Commerce and Industry's report No. 10: An outline survey of possible industrial opportunities. 258 pp. 9½×6½. Gratis. Office of the High Commissioner for Rhodesia and Nyasaland, Rhodesia House, 429 Strand, London WC2.

WEALTH, INCOME AND INTANGIBLES, by J. E. Sands. viii+100 pp. 8½×5½. 32s net. Toronto University Press. London: Oxford University Press.

NEGOTIABLE INSTRUMENTS AND SALE OF GOODS IN A NUTSHELL, by D. A. Godwin Sarre, M.A. x+74 pp. 4½×7½. Paper covers. 10s. Sweet & Maxwell Ltd, London.

LAW FOR TECHNOLOGY, by Roy Douglas, B.Sc.(LOND.), Ph.D.(EDIN.) 158 pp. 5½×9. 30s. Post free (Inland) 30s 10d. Gee & Co (Publishers) Ltd, London WC2.

PURCHASING AND SUPPLY MANAGEMENT, by P. J. H. Baily, A.C.I.S., M.P.O.A. viii+280 pp. 9×6. 30s net (U.K. only). Chapman & Hall Ltd, London WC2.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Stimulating Plant Replacement

SIR, — In his letter concerning our article 'Stimulating plant replacement' (March 14th and 21st issues), Mr M. P. J. May, A.C.A., in your April 4th issue, appears to have misunderstood the nature of the obsolescence duty which we suggested.

In the article we stated that 'it would clearly have to be imposed in a discriminatory fashion between different industries and different types of plant . . .' while at other points we stressed the selective nature of the duty.

Clearly, some regard must be had to the relative efficiency of old and new machinery in exercising this discrimination. As far as the assessment of efficiency is concerned, the use of certificates from trade associations, as suggested by Mr May, seems appropriate, though it is felt that such a scheme should be subject to the overall control of some planning body such as the N.E.D.C.

Yours faithfully,

R. J. BRISTON, B.Sc.(ECON.), A.C.A.  
E. W. EVANS, M.A., Ph.D.

Hull.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, April 8th, 1964, at the Hall of the Institute, Moorgate Place, London EC2, there were present:

Mr Robert P. Winter, C.B.E., M.C., T.D., President, in the chair; Mr W. Guy Densem, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, E. Hay Davison, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Goult, P. F. Granger, L. C. Hawkins, C.B.E., J. S. Heaton, J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, F. E. Price, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley, C.B.E.

### Annual Report and Accounts for 1963

The annual report of the Council and the accounts of the Institute for the year 1963 were approved for issue to members of the Institute.

### Taxation and Research Committee

The Council decided that, to avoid confusion with the recently established Research Committee, the name of the Taxation and Research Committee should be changed to the Technical Advisory Committee.

### The Practitioner Inquiry

The Council decided that the report on the practitioner inquiry should be issued by post to all members in practice in the United Kingdom on April 30th, 1964. The report will be available on request to all other members from that date.

### Conference at the Further Education Staff College

The Education Committee reported on the preliminary meeting which had taken place at the Further Education Staff College at Blagdon, Somerset, from February 28th, to March 1st, 1964, between principals of colleges of further education and representatives of universities, of the correspondence organizations and of the Education Committee itself. This short preliminary week-end meeting was for the purpose of planning a full week's session at the Staff College from July 12th to 18th, 1964, directed to the theme 'The Teaching of Accountancy', with special reference to introductory courses for articled clerks, and other educational developments.

Invitations are to be extended to colleges of further education at present co-operating with district societies of the Institute in the provision of introductory courses, and representatives of district societies will also be asked. Members of the Education Committee will also be present, together with representatives of universities and of correspondence organizations. Further details will be made available later.

### Registration of Articles

The Secretary reported the registration of 264 articles of clerkship during February, the total number since January 1st, 1964, being 552.

### Admissions to Membership

The following were admitted to membership of the Institute:

Aaronberg, Philip, A.C.A., 1964; 17 Woodlands, Golders Green, London NW11.  
Abbott, Kenneth Robert McFarlane, A.C.A., 1964; 1 Moorfield, High West Jesmond, Newcastle upon Tyne 2.  
Abdul Wahab, (Miss) Samira Ahmad Kamal, B.A., A.C.A., 1964; 14 Cloudestale Road, Balham, London SW17.  
Aboderin, James Olubunmi, A.C.A., 1964; 14 Uplands Road, London N8.  
Acton-Browne, Barry Rodney, A.C.A., 1964; 148 Ashton Lane, Sale, Cheshire.  
Adam, John Cliffe Hamilton, A.C.A., 1964; 'Kirklea', Rocky Lane South, Heswall, Cheshire.  
Adefeso, Olayimika Afolabi, A.C.A., 1964; c/o Hon. A. O. Ogunsanya, LL.B., B.L., 3/5 Sulu Bolaji Street, Lagos, Nigeria.  
Adelusi, Michael Ojo, B.Sc.(ECON.), A.C.A., 1964; 51 Elgin Mansions, Elgin Avenue, London W9.  
Ahmad, Khurshid, A.C.A., 1964; 31 Northend Road, London NW11.  
Ahmed, Anwaruddin, A.C.A., 1964; with R. Kay & Co, 196 Deansgate, Manchester 3.  
Aiken, Peter Ralston, A.C.A., 1964; 422 Inglemire Lane, Hull.  
Ali, Syed Faruq, A.C.A., 1964; with Rooke, Lane & Co, 2 Norfolk Street, London WC2.  
Allely, Ian William, A.C.A., 1964; 44 Kensington Road, Selly Park, Birmingham 29.  
Allen, Duncan John, A.C.A., 1964; 1 Heol Briwnant, Rhiwbina, Cardiff.  
Allen, Robert William, A.C.A., 1964; 15 Jesmond Vale Terrace, Newcastle upon Tyne 6.  
Alliban, Richard Douglas, A.C.A., 1964; with Nankivell & Sanderson, 17 Museum Street, Ipswich.  
Al-Timimi, Hadi Abbas, B.A.(ECON.), A.C.A., 1964; Balad Ruz, Iraq.  
Amies, Timothy John, A.C.A., 1964; Drumdevan, Inverness, Scotland.  
Amin, Jitendra, A.C.A., 1964; with Ralph Marks & Co, Devonshire Chambers, 146 Bishopsgate, London EC2.  
Anderson, David Anthony, B.A.(ECON.), A.C.A., 1964; 14 Beacon Hill, Maldon, Essex.  
Anderson, Robert Gavin Stewart, A.C.A., 1964; White Lodge, Bevere, near Worcester.

¶ Means 'member in practice'.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to the Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

Firms not marked † or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of the Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

- Anderson, Simon Nicholas, A.C.A., 1964; 'Greenacre', Fairmile Lane, Cobham, Surrey.
- Andrews, John David, B.A., A.C.A., 1964; The Old House, Combe, Oxon.
- Anning, David Edward, A.C.A., 1964; 47 High Road, Woodford Green, Essex.
- Archer, Gilbert Simon Henry, B.A., A.C.A., 1964; 29 Kildare Terrace, London W2.
- Aries, Edward, A.C.A., 1964; 12 Cholsey Close, Cowley, Oxford.
- Ashburner, Kenneth Sheffield, A.C.A., 1964; 120 Scotby Road, Scotby, Carlisle.
- Ashton, Clive Geoffrey, A.C.A., 1964; 40 Hermitage Court, Woodford Road, London E18.
- Ashworth, Graham Hartley, B.A., A.C.A., 1964; 'Buckles', Buckles Gap, Epsom Downs.
- Astill, Julian, A.C.A., 1964; 13 Warwick Road, Ealing, London W5.
- Atkinson, David John, A.C.A., 1964; 33 Station Road, Sandiacre, Nottingham.
- Atkinson, Robin Keith, A.C.A., 1964; 1 Wood Terrace, Chatburn, near Clitheroe, Lancs.
- Austin, Michael, A.C.A., 1964; 15 Dalmeny Avenue, Cliftonville, Margate, Kent.
- Ayres, Laurence Leonard, B.Sc.(ECON.), A.C.A., 1964; 27 Whitehill Road, Crayford, Dartford, Kent.
- Baakza, Abdul Munim, A.C.A., 1964; 15 Kempford Gardens, London SW5.
- Backhouse, Robert John, A.C.A., 1964; c/o 7 Westover Road, London SW18.
- Badcock, Peter George, A.C.A., 1964; 155 Bellingdon Road, Chesham, Bucks.
- Baggott, Martin, A.C.A., 1964; 3 The Circuit, Wilmslow, Cheshire.
- Bailey, Derek William, B.A., A.C.A., 1964; 84 Langdale Road, Bakersfield, Nottingham.
- Bailey, Percy Bartholomew, A.C.A., 1964; 62 Bennett Road, Four Oaks, Sutton Coldfield.
- Baird, Robert Bernard, A.C.A., 1964; 118 Park Street, Birkenhead.
- Baird, William Brand, A.C.A., 1964; 54A Keldgate, Beverley, Yorks.
- Baker, John Stuart, A.C.A., 1964; 10 Green Street, Horley Green, Halifax.
- Baldacchino, Raymond, A.C.A., 1964; 25 Fernside Road, Poole, Dorset.
- Baldwin, John Henry Edward, A.C.A., 1964; 'Eldafreid', Scarsdale Ridge, Bardsey, East Keswick.
- Ball, Christopher Henry, A.C.A., 1964; 1 Queen Street, Henley-on-Thames, Oxon.
- Banks, John Loch Curtis, A.C.A., 1964; 'Alvreds', Northiam, near Rye, Sussex.
- Bannister, (Miss) Helen Margaret, A.C.A., 1964; Kern House, Sanstone Road, Bloxwich, Staffs.
- Barker, Peter Henry Shelley, A.C.A., 1964; Walcote House, Walcote, Rugby.
- Barker, Terrence, A.C.A., 1964; with Smith, Willcox & Co, 18 & 18A Market Place, Thirsk, Yorks.
- Barling, Peter Gilbert Bonnor, A.C.A., 1964; 29 Wansunt Road, Bexley, Kent.
- Barnard, Michael John, A.C.A., 1964; 18 Clifton Road, Lowestoft, Suffolk.
- Barnett, (Miss) Betty, A.C.A., 1964; with Hogg, Bullimore & Co, City Gate House, Finsbury Square, London EC2.
- Barrett, Austin Francis, A.S.A.A., 1964; 13 Nassington Road, Hampstead, London NW3.
- Barwick, Brian Austin, A.C.A., 1964; 36 Maldon Road, Acton, London W3.
- Bates, Edward Arthur, B.A., A.C.A., 1964; 123 Hare Lane, Claygate, Surrey.
- Bates, George Joseph Beavon, A.C.A., 1964; 132 Sandbach Road, North, Alsager, Stoke-on-Trent.
- Batty, Arthur Joseph, B.A., A.C.A., 1964; 96 The Brow, Purbrook, Portsmouth.
- Beale, Sidney Arthur, A.C.A., 1964; 206 Church Road, Sheldon, Birmingham 26.
- Beardmore, John Edwin Frank, A.C.A., 1964; 7 Innage Road, Northfield, Birmingham 31.
- Bearne, Colin Charles Fraser, A.C.A., 1964; 'Carrow', Westminster Avenue, Chester.
- Beazleigh, Brian Anthony, A.C.A., 1964; 4 Hamers House, Ewen Crescent, Tulse Hill, London SW2.
- Bedworth, William Douglas, A.C.A., 1964; with John H. Moore, Alliance House, Cross Street, Barnstaple, North Devon.
- Bee, Henry Peter, B.A., A.C.A., 1964; 13 Chapel Street, Preston, Lancs.
- Bees, Timothy Henry, B.A., A.C.A., 1964; Flat 111, 6/9 Charterhouse Square, London EC1.
- Behnam, Shahrokh, B.Sc.(ECON.), A.C.A., 1964; c/o National Iranian Oil Co, 132-5 Sloane Street, London SW1.
- Bell, John Christopher, A.C.A., 1964; Prospect House, Lindow Common, Wilmslow, Cheshire.
- Bell, Martin Alexander, A.C.A., 1964; 95 Alderley Road, Wilmslow, Cheshire.
- Belshaw, Brian Edward, A.C.A., 1964; 12 Prendwick Gardens, Bestwood Park Estate, Nottingham.
- Bennett, Christopher James, A.C.A., 1964; 'The Dial', Kemsing, Sevenoaks, Kent.
- Bennett, Roger, A.C.A., 1964; 103 Yew Tree Lane, Wergs, Wolverhampton.
- Bessent, Ronald George, A.C.A., 1964; 2 Ynyscynon Road, Treallaw, Rhondda, Glam.
- Betts, Anthony George, B.Sc., A.C.A., 1964; 51 Barclay Road, Bearwood, Smethwick 41, Staffs.
- Bhaloo, Nurali Valli, A.C.A., 1964; 164 Greenford Road, Harrow, Middx.
- Bill, John, A.S.A.A., 1964; 14 Uplands Road, Tansley Hill, Dudley, Worcs.
- Billingham, Kenneth John, A.C.A., 1964; 95 Camplin Crescent, Handsworth Wood, Birmingham 20.
- Binks, Allan William Spence, A.C.A., 1964; 75 Mile End Lane, Stockport, Cheshire.
- Bird, Raymond Cecil John, A.C.A., 1964; 19 Stanhope Terrace, Bideford, North Devon.
- Birdsall, Eric Graham, A.C.A., 1964; 15 Buller Crescent, Herehills Lane, Leeds 9.
- Bister, Roger Alan, A.C.A., 1964; 57 Coniston Road, Leamington Spa, Warwicks.
- Blackburn, William, A.C.A., 1964; 40 Sweethope Avenue, Ashington, Northumberland.
- Blanchflower, Philip Ronald, A.C.A., 1964; 51 Wrexham Road, Sprowston, Norwich, NOR77P.
- Bland, Edmund, A.C.A., 1964; 10 Stuart Avenue, Ealing, London W5.
- Bland, William, A.C.A., 1964; 16 Ailsa Avenue, Twickenham, Middx.
- Blease, John Michael, A.C.A., 1964; 42 Falstone Road, Sutton Coldfield, Warwicks.
- Boardman, Stephen Humphrey, A.C.A., 1964; 'Whitewalls', Hcveton, Norwich, Norfolk, NOR62Z.
- Boas, John Robert Sotheby, B.A., A.C.A., 1964; with Child & Co, 1 Fleet Street, London EC4.
- Boland, William, A.C.A., 1964; 28 Kensington Avenue, Radcliffe, Manchester.
- Bonham-Carter, Timothy John, A.C.A., 1964; The Cottage, Mill Lane, Gerrards Cross, Bucks.
- Bonner, Colin Frank, A.C.A., 1964; 290 Eastcote Avenue, West Molesey, Surrey.
- Bonsor, Anthony Martin Henry, A.C.A., 1964; Ground Floor Flat, 4 Woodlands Road, Harrow, Middx.
- Boohan, Michael Daniel, A.C.A., 1964; with Thornton Baker & Co, Lee House, London Wall, London EC2.
- Booth, David Beresford, A.C.A., 1964; 143 Countess Road, Amesbury, Wilts.
- Booth, Neil Douglas, A.C.A., 1964; 39 Ashley Road, Bingley, Yorks.
- Bose, Dipak Kanti, B.A.(COM.), A.C.A., 1964; 4 Demesne Road, Manchester 16.
- Bose, (Mrs) Pamela June, A.C.A., 1964; 21 Burns Road, Pound Hill, Crawley, Sussex.
- Bosworth, Brian, A.C.A., 1964; 5 Kendal Avenue, Rednal, Birmingham.
- Botwright, Raymond Norman, A.C.A., 1964; 41 Melford Court, Melford Road, East Dulwich, London SE22.
- Boustead, John Richard, A.C.A., 1964; 112 Southfield Road, Waterloo, Huddersfield.
- Bowden, David Christopher, A.C.A., 1964; 40 Moorlands Road, Burnley.
- Bowen, Ronald Eric William, A.C.A., 1964; 103 Balham High Road, London SW12.
- Bradbury, John Michael, A.C.A., 1964; 'Brookdale', Kings Road, Hazel Grove, near Stockport.
- Bradley, David Fountain, A.C.A., 1964; Summerhill, Trearddur Bay, Holyhead, Anglesey.
- Bradshaw, Eric, A.C.A., 1964; 161 Menlove Avenue, Calderstones, Liverpool 18.
- Bradshaw, John Neil, A.C.A., 1964; 4 Woodlands Avenue, Rochdale, Lancs.
- Brassett, Peter George, A.C.A., 1964; 46 Doncaster Way, Upminster, Essex.
- Breeze, Peter, A.C.A., 1964; 192 Parrin Lane, Eccles, Lancs.
- Brickhill, Timothy David, A.C.A., 1964; 'Stoneycroft', Whitchurch, Pangbourne, Berks.
- Brinham, Edward, M.A., A.C.A., 1964; 42 Belsize Square, Hampstead, London NW3.

- Broadbent, Roy, A.C.A., 1964; 19 South Foreshore, Belize, British Honduras.
- Brock, Simon Thomas James, A.C.A., 1964; Queen Anne Cottage, Goodworth, Clatford, Andover, Hants.
- Brockman, Stephen, A.C.A., 1964; Hook Cottage, Askett, Aylesbury, Bucks.
- Brooke-Webb, Michael Vernon, A.C.A., 1964; Collingford Farm, Danehill, near Haywards Heath, Sussex.
- Brooks, David, A.C.A., 1964; 84 Byron Road, London E17.
- Brown, Christopher Campbell, A.C.A., 1964; 50 The Drive, Rickmansworth, Herts.
- Brown, David, A.C.A., 1964; 72 Lamorna Grove, Stanmore, Middx.
- Brown, David Wall, A.C.A., 1964; 31 Eversley Crescent, Winchmore Hill, London N21.
- Brown, Edward Martin Record, A.C.A., 1964; 47 Aldenham Avenue, Radlett, Herts.
- Bryant, Ernest John, A.C.A., 1964; 2 Warwick Square, London SW1.
- Buckett, Cecil John, A.C.A., 1964; 39 Cromwell Road, Cheltenham, Glos.
- Buglass, Alan, A.C.A., 1964; 30 Sunlea Avenue, Cullercoats, North Shields.
- Bullock, John Marcus, A.C.A., 1964; The Oaklands, North Rode, near Congleton, Cheshire.
- Bunting, David Arthur, A.C.A., 1964; 'Sierra', Headley Road, Woodley, Berks.
- Burgon, Peter Cowe, A.C.A., 1964; 30 Bardon Close, Westerhope, Newcastle upon Tyne 5.
- Burrell, John Edward, A.C.A., 1964; 2 Barham Court, Church Lane, Bromley, Kent.
- Burslem, James Frederick, A.C.A., 1964; 22 Rookery Lane, Wolverhampton.
- Burton, Grenville Clive, A.C.A., 1964; 27 Cottington Court, Sidmouth, Devon.
- Burton, Thomas Bodley, M.A., A.C.A., 1964; Flat 9, 75 Holland Park, London W11.
- Bury, David Gordon, A.C.A., 1964; 118 Earnsdale Road, Darwen, Lancs.
- Busby, Christopher Rodney, A.C.A., 1964; 80 Oak Tree Road, Tilehurst, Reading, Berks.
- Bush, Anthony Edward Laurence, A.C.A., 1964; 42 Lonsdale Drive, Enfield, Middx.
- Bush, John Antony, A.C.A., 1964; with Lonsdale & Marsh, 17 Harrington Street, Liverpool 2.
- Butnick, Alan Edward, A.C.A., 1964; 22 Langhorne Court, Alexandra Road, London NW8.
- Butterworth, Hugh Barham, A.C.A., 1964; 'Summerhill', Coxes Lane, Chalfont St Giles, Bucks.
- Cadiz, Michael Peter, A.C.A., 1964; 34 Hampton Court Parade, East Molesey, Surrey.
- Campion, Stephen Paul, A.C.A., 1964; 4 Nathan House, Reedworth Street, Kennington, London SE11.
- §Cannell, Michael Dan Harry, A.S.A.A., 1964; 28 Saracen Road, Helleston, Norwich, Norfolk, NOR43M.
- Cariou, Marcel George, A.C.A., 1964; Garden Flat, 2 Grange Place, St Peter Port, Guernsey, CI.
- Carlin, Hubert Arthur, A.C.A., 1964; 5 Palmer Crescent, Carlton, Nottingham.
- Carlyle, Nigel Stewart, LL.B., A.C.A., 1964; 75 Cardigan Road, Leeds 6.
- Carter, Alan Samuel, A.C.A., 1964; 135 Abbottsley Avenue, Allerton, Liverpool 18.
- Carter Pegg, Hallam, A.C.A., 1964; with Pegg, Robertson & Co, Eldon Street House, Eldon Street, London EC2.
- Cartwright, John Ernest Charles, B.A., A.C.A., 1964; Flat 2, 16 Victoria Square, Clifton, Bristol 8.
- Cashman, Shaun, A.C.A., 1964; 70 Campden Road, South Croydon, Surrey.
- Chalmers, Norman Ashley, A.C.A., 1964; 27A Stratford Road, London W8.
- Chapman, Michael Warner, A.C.A., 1964; 2 Rectory Close, Ditton Hill, Surbiton, Surrey.
- Chapman, Peter Richard, A.C.A., 1964; 3 St James Close, Heathcote Road, Epsom, Surrey.
- Cheah, Theam Khim, B.A., A.C.A., 1964; 31 Coleherne Road, London SW10.
- Checkley, Peter, B.A.(ECON.), A.C.A., 1964; 60 Glasslyn Road, London N8.
- Chesworth, John, A.C.A., 1964; 86 Byrom Street, Altrincham, Cheshire.
- Chisnall, David Campbell, A.C.A., 1964; Knowsley Cottage, Knowsley Lane, Prescott, Lancs.
- Chute, Terence Michael, A.C.A., 1964; 21 Crown Point, Beulah Hill, London SE19.
- Clark, David, A.C.A., 1964; 9 Middleham Road, Fairfield, Stockton on Tees, Co. Durham.
- Clark, Keith William, A.C.A., 1964; 6 Vicarage Lane, North Weald Bassett, Epping, Essex.
- Clarke, Graham Staward, B.A., A.C.A., 1964; 4 Kewferry Road, Northwood, Middx.
- Clarke, Hugh Anthony, A.C.A., 1964; Flint Cottage, Layters Green, Chalfont St Peter, Bucks.
- Clarkson, James, A.C.A., 1964; Rose Cottage, Eldon, Bishop Auckland, Co. Durham.
- Clayden, Peter Joseph, A.C.A., 1964; 17 Westminster Crescent, Cyncoed, Cardiff.
- Clemence, John Alistair, A.C.A., 1964; with L. A. Clemence & Co, 46 Church Avenue, Beckenham, Kent.
- Clement, Roger John, A.C.A., 1964; 80 Inkerman Road, Knaphill, Woking, Surrey.
- Clements, Peter Hamilton Campbell, LL.B., A.C.A., 1964; 'Chadsden', Wythenshawe Road, Manchester 22.
- Clow, Bernard John, A.C.A., 1964; 1317 High Road, Whetstone, London N20.
- Cobley, Kenneth, A.C.A., 1964; 'Widecombe', Epsom Road, Leatherhead, Surrey.
- Cochrane, John Alexander, B.A., A.C.A., 1964; 47 Maze Hill, London SE10.
- Cody, Douglas Paul, A.C.A., 1964; with Smallfield Fitzhugh Tillett & Co, 24 Portland Place, London W1.
- Coe, David James, A.C.A., 1964; 8 The Fairway, Upminster, Essex.
- Cohen, Edward Sassoon, A.C.A., 1964; 1 Edge Hill Avenue, Finchley, London N3.
- Cole, Anthony Jack, A.C.A., 1964; 'Poplars', Roselea Avenue, Herne Bay, Kent.
- Collins, John David, A.C.A., 1964; 7 Rooksmead Road, Sunbury-on-Thames, Middx.
- Compton, David Horace, A.C.A., 1964; 24 Hassocks Road, Hurstpierpoint, Sussex.
- Connolly, Michael, A.C.A., 1964; 2A Rainsford Lane, Chelmsford, Essex.
- Connorton, Francis, A.C.A., 1964; 29 Essex Street, Middlesbrough.
- Cook, Allan Charles, A.C.A., 1964; 1 Northallerton Way, Harold Hill Estate, Romford, Essex.
- Cook, Geoffrey Allan, A.C.A., 1964; 125 Whitchurch Gardens, Edgware, Middx.
- Cook, (Miss) Gillian Ann, A.C.A., 1964; 8 Glennie Court, Lordship Lane, London SE22.
- Cook, Robert Frederick Wignall, A.C.A., 1964; 3 Wedgewood Drive, Roundhay, Leeds 8.
- Cooke, David Thomas, A.C.A., 1964; 5 Nelson Road, Harrow, Middx.
- Cooke, Hereward Roger Gresham, A.C.A., 1964; Turgis Court, Stratfield Turgis, Basingstoke, Hants.
- Cooper, Brian John, A.C.A., 1964; 127 Durley Dean Road, Selly Oak, Birmingham 29.
- Cooper, Geoffrey Wilfrid, A.C.A., 1964; 25 Poplar Lane, Cannock, Staffs.
- Cooper, Roger Euan Barham, A.C.A., 1964; 38 Westholme Road, Ipswich.
- Cooper, Stuart Edward, A.C.A., 1964; with Watts, Knowles & Co, Midland Bank Chambers, Letchworth, Herts.
- Cornelius, Anthony John, A.C.A., 1964; 139A Blythe Road, West Kensington, London W14.
- Corney, David John, A.C.A., 1964; 6 Broad Oaks Road, Solihull, Warwicks.
- Cornfield, Roger William, A.C.A., 1964; 55 Exeter Gardens, Ilford, Essex.
- Cornforth, (Miss) Sara, A.C.A., 1964; 4 Ramillies Road, Chiswick, London W4.
- Corscadden, James Arthur Barrie, A.C.A., 1964; 451 Barnsley Road, Wakefield, Yorks.
- Coveney, Raymond Hilbre, A.C.A., 1964; 242 Kingsway, Gatliff, Cheddle, Cheshire.
- Cowling, John Anthony, A.C.A., 1964; 41 Spinney Road, Norwich, Norfolk, NOR69T.
- Cowling, Maurice John Kenneth, A.C.A., 1964; 417 North Brink, Wisbech.
- Crabbe, Anthony John Travers, B.A., A.C.A., 1964; 95 Wentworth Road, Harborne, Birmingham 17.
- Craig, John Stephen, A.C.A., 1964; Wagster Cottage, Shustoke, Coleshill, Birmingham.
- Craven, Brian Godfrey, A.C.A., 1964; 11 Southlands Grove, Thornton, Bradford.
- Crawford, Philip Forrest, A.C.A., 1964; 30 Cambrian Avenue, Vicars Cross, Chester.
- Cross, Raymond David, A.C.A., 1964; 'Silverlea', Lees Road, Willesborough, Ashford, Kent.
- Crush, John Anthony, A.C.A., 1964; 6 The Retreat, Southsea, Hants.

April 18th, 1964

- Cundall, David, A.C.A., 1964; 37c The Avenue, Beckenham, Kent.
- Curry, John Arthur Hugh, B.A., A.C.A., 1964; 'Quendon', Haling Park Road, South Croydon, Surrey.
- Dandy, John, A.C.A., 1964; 17D Park Road, Richmond, Surrey.
- Davenhill, Richard Edward, B.A., A.C.A., 1964; 'Lainchbury', Pedmore, Stourbridge, Worcs.
- Davey, Richard John Chatterton, A.C.A., 1964; 6 Bazile Road, Grange Park, London N21.
- Davies, Anthony Ambrose, A.C.A., 1964; 27 Maindy Crescent, Ton Pentre, Rhondda, Glam.
- Davies, Oliver Hylton, A.C.A., 1964; 191 Feltham Hill Road, Ashford, Middx.
- Davis, Richard John, A.C.A., 1964; with Moore & Smalley, 9 Chapel Street, Preston.
- Davis, Howard Michael, B.A.(COM.), A.C.A., 1964; 149 Brooklands Road, Sale, Cheshire.
- Davis, John Gilbert Mourton, A.C.A., 1964; 63 Papist Way, Chelsey, Berks.
- Davis, John Stephen, A.C.A., 1964; 'Rowans', Potters Way, Laverstock, Salisbury, Wilts.
- Davis, Raymond Howard, B.COM., A.C.A., 1964; 40 Lynnbank Road, Calderstones, Liverpool 18.
- Davis, Robin Michael, A.C.A., 1964; 39D Walmley Ash Road, Walmley, Sutton Coldfield, Warwicks.
- Day, Michael John, B.COM., A.C.A., 1964; 527 City Road, Edgbaston, Birmingham 17.
- De Courcy Thompson, John Barton, A.C.A., 1964; 7 Maple Road, Harpenden, Herts.
- Deighan, Terence Edward, A.C.A., 1964; 1 Bentley Road, Liverpool 8.
- Denholm, James Nigel, A.C.A., 1964; 'High Croft', Duffield, Derbyshire.
- Denny, Brian John, B.A., A.C.A., 1964; 'Whitegates', Sandy Lane, Mawdesley, Ormskirk, Lancs.
- Devani, Shashikant Chandulal, A.C.A., 1964; PO Box 856, Mombasa, Kenya, East Africa.
- Dewar, James Alastair, A.C.A., 1964; 44 St John's Crescent, Bilton, Harrogate.
- De Wilde, Thomas Charles, A.C.A., 1964; 12 Haggard Road, Twickenham, Middx.
- Dexter, Alan Michael, A.C.A., 1964; 27 Harington Terrace, Cambridge Road, Edmonton, London N18.
- Dhar, Panna Kanti, A.C.A., 1964; 17 Park Hill Court, Addiscombe Road, Croydon, Surrey.
- Dickinson, Peter Neville, A.C.A., 1964; 'Rowallan', Park Drive, Blundellsands, Liverpool 23.
- Dimbleby, Roger Thomas, A.C.A., 1964; 66 Freshfield Gardens, Allerton, Bradford.
- Dobson, Thomas Edward, A.C.A., 1964; 7 Moss Carr Road, Long Lee, Keighley, Yorks.
- Doddridge, Edward, A.C.A., 1964; 5 Armley Road, Anfield, Liverpool 4.
- Dodgson, Keith Wilfrid, A.C.A., 1964; 122 Thornhill Street, Calverley, Pudsey, Yorks.
- Dohadwala, Yusuf Hakimuddin, A.C.A., 1964; 18 Christchurch Street, Chelsea, London SW3.
- Dolling, (Miss) Dorothy Suzanne, A.C.A., 1964; 5 Messingham Road, Ashby, Scunthorpe, Lincs.
- Donoghue, William John, A.C.A., 1964; 88 New Park Avenue, Palmer's Green, London N13.
- Doody, Neil Beresford, A.C.A., 1964; 22 Station Road, Wokingham.
- Doshi, Harsukhrai Bhagwanji, A.C.A., 1964; 60 Upper Berkeley Street, London W1.
- Driscoll, Barry Lionel Daniel, B.A., A.C.A., 1964; 37 Elmhurst Drive, Hornchurch, Essex.
- Dudgeon, James Edward, A.C.A., 1964; 35 Blenheim Road, Birstall, Leics.
- Duff, Peter Murray, A.C.A., 1964; 4 Bainbridge Holme Road, Sunderland.
- Duggan, Jeffrey, A.C.A., 1964; 23 Beverley Road, Gateshead 9, Co. Durham.
- Dunn, Paul, A.C.A., 1964; 70 Parsonage Road, Withington, Manchester 20.
- Earl, Brian George, A.C.A., 1964; 38 Clarendon Road, Leytonstone, London E11.
- Early, Barry Leonard, A.C.A., 1964; 64 Randolph Avenue, Maida Vale, London W9.
- Easson, James Harvey Stephen, A.C.A., 1964; 36 Ransom Road, Erdington, Birmingham 23.
- Easter, David Henry, A.C.A., 1964; 136 Wellington Road, Hounslow, Middx.
- Easterbrook, Adrian Charles, A.C.A., 1964; 4 Clennon Rise, Paignton, Devon.
- Edgar, James Bernard Shelley, A.C.A., 1964; 6 Hertford Avenue, East Sheen, London SW14.
- Edwards, Melvyn Morris, A.C.A., 1964; 120 Roding Road, Loughton, Essex.
- Ellinson, Jacob, B.SC.(ECON.), A.C.A., 1964; 58 Princes Park Avenue, London NW11.
- Elliott, Keith Malcolm, A.C.A., 1964; 45 Grosvenor Drive, Hornchurch, Essex.
- Ellis, Anthony, A.C.A., 1964; 24 Horsewell Lane, Wigston, Leicester.
- Ellison, Michael Arthur Hill, A.C.A., 1964; 9 Brentwood Court, Simple Marsh Road, Addlestone, Surrey.
- Elston, John, A.C.A., 1964; Back 379 Abbeydale Road, Sheffield 7.
- Elston, Norman, A.C.A., 1964; 71 East Wontford Hill, Heavitree, Exeter.
- Embricos, Alexander Peter, A.C.A., 1964; 4 Ogwen Drive, Lakeside, Cardiff.
- Emmerson, David Michael Irvin, A.C.A., 1964; Dumblelaw Cottage, Bilton, Alnmouth, Northumberland.
- Emmott, (Miss) Mary, A.C.A., 1964; 'Pentire', Calvert Road, Dorking, Surrey.
- Endicott, Derrick John Victor, A.C.A., 1964; with Dearden, Harper, Miller & Co, 17-18 St Dunstan's Hill, London EC3.
- Engarran, Michael Ernest, A.C.A., 1964; 3 Cecil House, 191 Lawrie Park Gardens, Sydenham, London SE26.
- Enright, Peter Maurice, A.C.A., 1964; 4 Gordon Road, Thatcham, Berkshire.
- Epstein, Vernon Hugh, A.C.A., 1964; 33 Brookdale, New Southgate, London N11.
- Euinton, Anthony Charles, A.C.A., 1964; 13 Cambridge Road, Seven Kings, Ilford, Essex.
- Evans, Alan Morgan, A.C.A., 1964; 22 Lyle Street, Mountain Ash, Glam.
- Evans, John Brian, A.C.A., 1964; 95 Ilford Lane, Ilford, Essex.
- Evans, Keith John, A.C.A., 1964; 2 Newlands Walk, Garston, Watford, Herts.
- Everitt, William James Haydn, B.A., A.C.A., 1964; 159 Sutherland Avenue, London W9.
- Fairbairn, William Andrew, A.C.A., 1964; 31 Loom Lane, Radlett, Herts.
- Farquhar, Robert Mackenzie, A.C.A., 1964; 17 Baronsmede, Ealing, London W5.
- Faulkes, Michael George Wyndham, A.C.A., 1964; 327 Lordswood Road, Harborne, Birmingham 17.
- Faulkner, Richard Ian, LL.B., A.C.A., 1964; 47 Elwill Way, Beckenham, Kent.
- Ferguson, Andrew John Duncan, B.A., A.C.A., 1964; 3 Heath Drive, Sutton, Surrey.
- Fetterman, Norman, A.C.A., 1964; 39 Highview Avenue, Edgware, Middx.
- Fidler, Martin Edward, A.C.A., 1964; 213 Norbury Crescent, London SW16.
- Finn, Paul Howard, A.C.A., 1964; 300 Undercliffe Street, Bradford 3.
- Finnegan, Patrick Anthony, A.C.A., 1964; 25 Mill Farm Road, Harborne, Birmingham 17.
- Fisher, Rodney Brian Neville, A.C.A., 1964; 45 Salisbury Road, Southsea, Hants.
- Fitz-Gerald, Anthony Derek Francis, A.C.A., 1964; 24 Ernest Drive, Maidstone, Kent.
- Flanagan, David Anthony, A.C.A., 1964; 147 Stourbridge Road, Holly Hall, Dudley.
- Flavell, John Stanley, A.C.A., 1964; 89 The Fairway, Aldwick-Bay-Estates, Bognor Regis, Sussex.
- Flegg, Peter Kenneth, A.C.A., 1964; 58 Burlington Lane, Chiswick, London W4.
- Fleming, David John, A.C.A., 1964; 24 Back Beverley Terrace, Leeds 11.
- Foale, Graham Douglas Kenneth, A.C.A., 1964; 3 Paris Road, Paignton, Devon.
- Foot, Kenneth Bevan, A.C.A., 1964; 23 Manor Road, New Milton, Hants.
- Ford, Richard Joseph, A.C.A., 1964; 7 Uplands Road, Saltford, near Bristol.
- Forshaw, Roger, A.C.A., 1964; 415 Ringwood Road, Parkstone, Poole, Dorset.
- Foster, John William, A.C.A., 1964; 399 Sunderland Road, South Shields.
- Foster-Brown, Robin Stephen, A.C.A., 1964; Lee Farm House, Hurley, Berks.
- Fox, Andrew Howard Paton, A.C.A., 1964; 129 Anderton Park Road, Moseley, Birmingham 13.
- Foyster, William Randle, A.C.A., 1964; 'Bramletye', Ireton Avenue, Walton-on-Thames, Surrey.
- Francis, David Alfred, A.C.A., 1964; 58 Roma Road, Tyseley, Birmingham 11.

- Freeman, Alan Henry, B.A., A.C.A., 1964; 48 Bailey Road, Cowley, Oxford.
- French, Leslie Eric, A.C.A., 1964; 22 Horseheath Road, Linton, Cambs.
- French, Thomas Jeremy, A.C.A., 1964; 'Brackenhurst', Rappax Road, Hale, Cheshire.
- Fung, Chun Chung, LL.B., A.C.A., 1964; 24 Kemplay Road, Hamstead, London NW3.
- Gallagher, Redmond Bruce, A.C.A., 1964; 'The Chase', Blackdown, Leamington Spa, Warwick.
- Garner, John Anthony, A.C.A., 1964; 47 Palatine Road, Withington, Manchester 20.
- Garner, Michael Frederick, B.A., A.C.A., 1964; 8 Stanley Court, Stanley Road, Sutton, Surrey.
- Garrett, Alan Victor, A.C.A., 1964; 1 St Giles Road, London SE5.
- Gawne-Cain, Robert David, A.C.A., 1964; Ormiston Lodge, Bunch Lane, Haslemere, Surrey.
- Geer, Peter Nicholas, A.C.A., 1964; 'High Gable', The Pathway, Aldenham Avenue, Radlett, Herts.
- Gettins, Brendan John, B.Sc.(ECON.), A.C.A., 1964; 45 Oulton Avenue, Sale, Cheshire.
- Gibbins, John Barry, A.C.A., 1964; 1 Hall Road, Scraftoft, Leics.
- Gibbs, Colin Geoffrey, A.C.A., 1964; 168 Engadine Street, Southfields, London SW18.
- Gilkes, David Arthur, B.A., A.C.A., 1964; 4 Kingsmere Road, London SW19.
- Gill, Christopher, LL.B., A.C.A., 1964; 94 Claygate Lane, Esher, Surrey.
- Gillman, Charles Thomas, A.C.A., 1964; 20 Grange Road, Thornton Heath, Surrey.
- Glossop, Brian, A.C.A., 1964; 29 Gatton Park Road, Redhill, Surrey.
- Goggs, Andrew Quentin, B.A.(ECON.), A.C.A., 1964; Rievaulx Bridge, Helmsley, Yorks.
- Gooch, Alan John, A.C.A., 1964; 44 Derry Avenue, South Ockendon, Essex.
- Goodwin, David John, A.C.A., 1964; 'Winfield', Vanity Lane, Coxheath, near Maidstone, Kent.
- Gould, David Jon, A.C.A., 1964; 'Glenrose', Bagatelle, Jersey, CI.
- Grant, Henry Robert, A.C.A., 1964; Wistaria House, 11 Astwood Road, Feckenham, Worcs.
- Grant, Reginald, A.C.A., 1964; 42 Newbridge Way, Pennington, Lymington, Hants.
- Graves, David William, A.C.A., 1964; 11 Kenilworth Drive, Boreham Wood, Herts.
- Gray, Anthony Muir, A.C.A., 1964; Blackwell Hall Cottage, Latimer Road, Chesham, Bucks.
- Gray, James McKinnon, A.C.A., 1964; 67 Foyle Road, Blackheath, London SE3.
- Green, Peter James Hinton, M.A., A.C.A., 1964; Sihlhaldenstrasse 5, Thalwil, Zürich, Switzerland.
- Greenhalgh, Geoffrey Frank, A.C.A., 1964; 13 Rosedale, Sutton, Surrey.
- Greenhough, David Michael Rodling, A.C.A., 1964; 7A Grafton Street, London W1.
- Greenwood, Michael, A.C.A., 1964; 62 Chapel Street, Brierfield, Nelson, Lancs.
- Griffiths, John Adrian, A.C.A., 1964; 'Dormans', Clover Rise, Whitstable, Kent.
- Griffiths, Kenneth David, A.C.A., 1964; 106 Bath Road, Cheltenham.
- Grimshawe, Peter Roston, A.C.A., 1964; 1 Bramhope Manor, Moor Road, Bramhope, near Leeds.
- Grodzinski, Emmanuel Abraham, A.C.A., 1964; 43 Norrice Lea, London N2.
- Groom, Michael John, A.C.A., 1964; 43 Bingley Street, Penn Fields, Wolverhampton.
- Gyamfi, Paul Brandford, B.COM., A.C.A., 1964; 109 Westbury Court, Nightingale Lane, London SW4.
- Hacker, John Raymond, A.C.A., 1964; The Trees, Victoria Avenue, Westgate-on-Sea, Kent.
- Hadfield, Peter David Seton, A.C.A., 1964; 93 Abingdon Road, London W8.
- Hadjitofi, Petros, A.C.A., 1964; 137 Cathays Terrace, Cardiff.
- Haile, Bernard Edmund, A.C.A., 1964; 57 Sybil Road, Leicester.
- Haines, John, A.C.A., 1964; 8 Victoria Road, Sheffield 10.
- Hainsworth, Alan, A.C.A., 1964; 1053 Thornton Road, Bradford 8.
- Halit, Aykout, B.Sc.(ECON.), A.C.A., 1964; 97 Edith Road, London W14.
- Hall, Brian Malcolm, A.C.A., 1964; 83A Main Road, Hockley, Essex.
- Hall, Michael Robert, A.C.A., 1964; 25 Darley Road, Hazel Grove, Stockport.
- Hall, Robert William James, A.C.A., 1964; 23 Tower Road West, St Leonards-on-Sea.
- Halpin, Cecil Francis, A.C.A., 1964; 67 Cavendish Avenue, Ealing, London W13.
- Hamilton, David Norman Peyton, A.C.A., 1964; 'White Knights', Popp Lane, Cooden, Bexhill-on-Sea, Sussex.
- Hammond, John, A.C.A., 1964; Holiday Cottage, Balcombe Road, Pound Hill, Crawley, Sussex.
- Hannam, Brian Neil, A.C.A., 1964; 222 Rossendale Road, Burnley.
- Harcombe, Kenneth Ian, A.C.A., 1964; with Morris Gregory & Co, 3 York Street, Manchester.
- Hardie, Reginald George, A.C.A., 1964; 225 Bramhall Lane, South, Bramhall, Stockport, Cheshire.
- Hargraves, Christopher Stanley, A.C.A., 1964; 25 Brentford Avenue, Smithills, Bolton.
- Hargreaves, Brian, A.C.A., 1964; 70 Briercliffe Road, Burnley.
- Hargreaves, Michael Walter Wensley, A.C.A., 1964; 85 Bawtry Road, Bessacarr, Doncaster.
- Harland, Michael John Stanley, A.C.A., 1964; 855 Garratt Lane, London SW17.
- Harmer, Philip James, 1964; 38 Brockley View, Forest Hill, London SE23.
- Harpur, William George, A.C.A., 1964; 58 Goldieslie Road, Sutton Coldfield, Warwick.
- Harrington, Leslie Thomas, A.C.A., 1964; 16 Dobbins Lane, Wendover, Bucks.
- Harris, Brian Reginald, A.C.A., 1964; 27 Rutland Road, Ilford, Essex.
- Harris, Jack Alan, A.C.A., 1964; 41 Hyde Park Avenue, Winchmore Hill, London N21.
- Harris, Roger John, A.C.A., 1964; 'Rosevean', Bissoe, Truro, Cornwall.
- Harrison, Anthony John, A.C.A., 1964; 'Llyswen', Pentrych, near Cardiff.
- Harrison, John Neville, B.A., A.C.A., 1964; 'Fairhill', Eaton Park Road, Cobham, Surrey.
- Harrison, William Herbert, A.C.A., 1964; 'Aquila Rigg', Hightown, Liversedge, Yorks.
- Hart, Alexander William, A.C.A., 1964; 73 Norfolk Road, Sheffield 2.
- Hartley, Clifford Roger, A.C.A., 1964; 77 Walton Lane, Nelson, Lancs.
- Hartwell, John Alfred, A.C.A., 1964; 18 Brownrigg Road, Ashford, Middx.
- Harvey, Michael Stephen, A.C.A., 1964; 4 Lymbourne Close, Belmont, Sutton, Surrey.
- Harwood, Thomas Peter, A.C.A., 1964; 45 Norbury Road, Thornton Heath, Surrey.
- Hawkwood, John Kevan, B.COM., A.C.A., 1964; 199 Upper Chorlton Road, Whalley Range, Manchester 16.
- Hayden, Marcus Alfred, A.C.A., 1964; 83 Grosvenor Road, London W7.
- Hayes, Ian Walter, A.C.A., 1964; 41 Gower Street, Loundsley Green, Chesterfield.
- Haynes, Philip Edmund, A.C.A., 1964; 9 Eversfield Court, Reigate Road, Reigate, Surrey.
- Heath, John Anthony, A.C.A., 1964; 70 Sydenham Road, Guildford, Surrey.
- Hellyar, Michael Francis, A.C.A., 1964; 4 Highwoods, Leatherhead, Surrey.
- Henderson, Geoffrey, A.C.A., 1964; 40 Moor Crescent, Gosforth, Newcastle upon Tyne 3.
- Henry, Michael Robert, A.C.A., 1964; 207 Baring Street, South Shields.
- Herbert, Michael, M.A., A.C.A., 1964; The White House, Old Perry Street, Chislehurst, Kent.
- Heroys, Nicholas, B.A., A.C.A., 1964; Orchard House, Oak Hill Road, Sevenoaks, Kent.
- Hesford, Michael Martin Paterson, A.C.A., 1964; 'Hartside', Woodlands, Gosforth, Newcastle upon Tyne.
- Heslop, Roy, A.C.A., 1964; 129 Tynemouth Road, Heaton, Newcastle upon Tyne 6.
- Hetherington, Robert Guy, A.C.A., 1964; 'Kentmere', Park Drive, Blundellsands, Liverpool 23.
- Hewerdine, Derek, A.C.A., 1964; 169 Harlaxton Road, Grantham, Lincs.
- Hewitt, Timothy, M.A., A.C.A., 1964; 54 Parliament Hill, Hampstead, London NW3.
- Hews, Richard Anthony Frederick, A.C.A., 1964; 59 Offington Lane, Worthing, Sussex.
- Hickman, Michael William, A.C.A., 1964; 'Kibagare', Third Avenue, Frinton-on-Sea, Essex.
- Higginson, Timothy Robert, A.C.A., 1964; 67 St Annes Road, East, St Annes-on-Sea, Lancs.
- Higson, William Stewart, A.C.A., 1964; 'Amazonas', Sandy Lane, Hightown, Liverpool.

- Hill, Robert Phillips, B.A.(ECON.), A.C.A., 1964; 'Graemar', Okus, Swindon, Wilts.
- Hill, Vincent George, A.C.A., 1964; 10 Harestone Hill, Caterham Surrey.
- Hillier, John Henry, A.C.A., 1954; 75 Marsala Road, Lewisham, London SE13.
- Hindmarch, John Geoffrey, A.C.A., 1964; 1 Welwyn Close, Harlaxton Road, Grantham, Lincs.
- Hiser, Brian Richard, A.C.A., 1964; 137 Oak Road, Redcar, Yorksire.
- Ho, Tim Michael, B.A.(ECON.), A.C.A., 1964; 14 Leedon Park, Singapore 10.
- Hobbs, William John Mervyn, A.C.A., 1964; Lower Downside Farm, Shepton Mallet, Somerset.
- Hodder, Michael John, A.C.A., 1964; 'Meads', Frithsden Copse, Berkhamsted, Herts.
- Hodges, Dennis William, A.C.A., 1964; 77 Aversley Road, King's Norton, Birmingham 30.
- Hodgkins, Anthony Albert, A.C.A., 1964; 21 Clarendon Road, Four Oaks, Sutton Coldfield, Warwicks.
- Hodgson, Anthony Gordon Sutherland, A.C.A., 1964; 3 Carew Road, Eastbourne.
- Hodgson, Ernest Malcolm, A.C.A., 1964; 97 Eighth Avenue, Bridlington, East Yorks.
- Hoe, Alan McIntosh, A.C.A., 1964; 'Sunningdale', Shrigley Road North, Poynton, Stockport, Cheshire.
- Hogg, Anthony Charles, A.C.A., 1964; 26 Glanynant Road, Whitchurch, Cardiff.
- Holloway, Anthony Charles Essex, A.C.A., 1964; 'Highlands', Slinfold, Sussex.
- Holyoak, Arthur Mark, A.C.A., 1964; 4A Kingsland Court, Kennedy Road, Shrewsbury.
- Homan, Gerard Francis, A.C.A., 1964; 148 Queens Road, Beeston, Notts.
- Hopkins, John Douglas, A.C.A., 1964; 46 Pearce Avenue, Parkstone, Dorset.
- Horley, Geoffrey Hubert, A.C.A., 1964; 32 Shelley Road, Marlow Hill, High Wycombe, Bucks.
- Horrocks, John Gunn, B.A., A.C.A., 1964; 73 Kineton Green Road, Olton, Solihull, Warwicks.
- Hoskins, Alan Stanley, A.C.A., 1964; 11 Sussex Way, Cockfosters, Barnet, Herts.
- Houghton, William Neil, A.C.A., 1964; 293 Birmingham Road, Wyde Green, Sutton Coldfield, Warwicks.
- Houseman, Michael, A.C.A., 1964; 11 Windsor Road, Stainforth, Doncaster.
- Howard, Gerald Graves, A.C.A., 1964; 'The Moat', Upend, Newmarket, Suffolk.
- Howe, David Gareth, B.Sc.(ECON.), A.C.A., 1964; 24 Kingsbury Road, Coventry.
- Howells, John Stuart, A.C.A., 1964; 13 Old Road, Llanelly.
- Hoyle, Ronald, A.C.A., 1964; 34 Carlton Drive, Frenchwood, Preston.
- Hubble, Robert John, A.C.A., 1964; 7 Cadogan Park, Woodstock, Oxford.
- Hulme, Henry Wyndham, B.A., A.C.A., 1964; 10 West End, Frome, Somerset.
- Hunt, Brian David, A.C.A., 1964; with Attwell & Co, 51 Calthorpe Road, Edgbaston, Birmingham 15.
- Hunter, Peter Colin Cavendish, A.C.A., 1964; 20 Mole House, Hershaw, Walton on Thames, Surrey.
- Hurst, David Vivian, A.C.A., 1964; 157 Liverpool Road South, Maghull, near Liverpool.
- Hurst, Peter William, B.A., A.C.A., 1964; Flat 2, 131 West End Lane, West Hampstead, London NW6.
- Hutchins, Robert James, A.C.A., 1964; Flat 3, 44 Lansdowne Road, London W11.
- Hutt, Christopher John, A.C.A., 1964; 65 Cranbourne Road, Northwood, Middx.
- §Imison, Christopher Wallace Tracey, A.S.A.A., 1964; 'Rough Hey', Ellice Road, Oxted, Surrey.
- Ingram-Johnson, John Stuart Hepburn, A.C.A., 1964; 105 Oxford Road, Wokingham, Berks.
- Inyang, Edet Udo Umo, B.A., A.C.A., 1964; with Government of Eastern Nigeria, Permanent Secretary, Ministry of Finance, Enugu, Nigeria.
- Ions, William Westbrook, A.C.A., 1964; 92 Dilston Drive, Westerhope, Newcastle upon Tyne 5.
- Ireland, Richard Sidney, A.C.A., 1964; 20 Camden Road, Southville, Bristol 3.
- Irwin, Patrick Staples, A.C.A., 1964; 159 Sedlescombe Road North, St Leonards-on-Sea.
- Isherwood, John Gordon, A.C.A., 1964; 26 Norris Road, Sale, Cheshire.
- Jacklin, John Nicholas, B.COM., A.C.A., 1964; 6 Suffolk House, Queens Drive, Acton, London W3.
- Jackson, Alan, A.C.A., 1964; 5 Carleton Avenue, Fulwood, Preston.
- Jackson, Donald Frederick, A.C.A., 1964; 56 Linden Grove, Woodsmoor, Stockport.
- Jackson, John Stephen, A.C.A., 1964; 39 Beech Walk, Leigh, Lancs.
- Jackson, Roger Ian, A.C.A., 1964; with Henry Bramall & Co, 20 Claremont Crescent, Sheffield 10.
- Jagger, Peter Glyn, A.C.A., 1964; 'Little Houghton', Hoe Court, North Lancing, Sussex.
- Jarvis, Brian John, A.C.A., 1964; 23 Fern Hill Road, Cowley, Oxford.
- Jayson, Raymond Victor, M.A., A.C.A., 1964; 'Ascot', Greenbank Crescent, London NW4.
- Jeffries, Brian John, B.A., A.C.A., 1964; 130 Sixth Cross Road, Twickenham, Middx.
- Johns, Brooke Elliot Mackelcan, A.C.A., 1964; Starveacres, Radlett, Herts.
- Johnsen, John Anthony Brodie, A.C.A., 1954; with J. Stanway Johnson & Co, 7 Tithebarn St, Liverpool 2.
- Johnson, Dennis Victor, A.C.A., 1964; 50 Oxley Road, Ribbleson, Preston.
- Johnstone, David William Robert, B.A., A.C.A., 1964; 'Wayside', Bottrell's Lane, Chalfont St Giles, Bucks.
- Jolliffe, Anthony Stuart, A.C.A., 1964; 12 Broadmead Close, Hatch End, Pinner, Middx.
- Jones, Anthony David Canning, A.C.A., 1964; 4 Laverton Road, St Annes-on-Sea, Lancs.
- Jones, Anthony John, B.A., A.C.A., 1964; 26 Highbank, Westdene, Brighton.
- Jones, Barry, A.C.A., 1964; 8 North Close, Mickleover, Derby.
- Jones, Bryan William, A.C.A., 1964; 36 Rufford Avenue, Newark, Notts.
- Jones, David Frank, A.C.A., 1964; 36 Links Way, Croxley Green, Rickmansworth, Herts.
- Jones, Hywel Rees, A.C.A., 1964; 6 Chester Road, Wrexham, Derbighshire.
- Jones, John Michael, A.C.A., 1964; Mill Cottage, Thurleigh, Bedford.
- Jones, Michael Elfyn, B.COM., A.C.A., 1964; 'Fairway', Peniel, Carmarthen.
- Jones, Michael George, A.C.A., 1964; 24 Fellow Green Road, West End, Woking, Surrey.
- Jopling, David William, A.C.A., 1964; 'Larchmont', Elloughton, Brough, East Yorks.
- Jopp, Keith Eric, A.C.A., 1964; 84 Lowther Road, Barnes, London SW13.
- Jopson, Thomas David, A.C.A., 1964; 130 Wheatley Lane Road, Barrowford, Nelson, Lancs.
- Jukes, Peter Michael, A.C.A., 1964; 'Woodville', Bank Crescent, Ledbury, Herefordshire.
- Julien, Michael Frederick, A.C.A., 1964; Flat 3, 83 Alexandra Park Road, London N10.
- Kaye, John David, A.C.A., 1964; 'Yew Tree', Holmbridge, Huddersfield.
- Kellie-Smith, David Anthony, A.C.A., 1964; Bridge House Craft, Darlington.
- Kelly, David Rodney Stuart, A.C.A., 1964; 181 South Parade, West Kirby, Wirral, Cheshire.
- Kelly, Martin, A.C.A., 1964; 10A Maynard Road, Walthamstow, London E17.
- Kelly, Peter David, A.C.A., 1964; 44 Tonbridge Crescent, Kenton, Harrow, Middx.
- Kemp, Roger Clifford, A.C.A., 1964; 2 Abbey Hey Lane, Higher Openshaw, Manchester 11.
- Kempell, John Baron, A.C.A., 1964; 9 Grosvenor Avenue, Carshalton, Surrey.
- Kerman, Nicholas Bryan, A.C.A., 1964; 'The Copper Kettle', Rotherfield, Crowborough, Sussex.
- Kerr, John Malcolm Robert Sinclair, A.C.A., 1964; 28 Oxlea Road, Torquay.
- Kettleley, John Henry Beevor, A.C.A., 1964; Minster House, Thorpe Bay Gardens, Thorpe Bay, Essex.
- Keyte, Keith William, A.C.A., 1964; 22 Little Meadows, Petworth, Stratford-on-Avon, Warwicks.
- Khan, Mazhar Ali, A.C.A., 1964; 19 Berkeley Road, Hornsey, London N8.
- Khawaja, Mohammad Fasih-Ullisan, A.C.A., 1964; 1 Church Crescent, Muswell Hill, London N10.
- Khosla, Ravinder Kumar, A.C.A., 1964; 42 Nottingham Place, London W1.
- Kilner, David Leonard, A.C.A., 1964; 11 Holderness Road, Heaton, Newcastle upon Tyne 6.



- Kirby, John Peter, A.C.A., 1964; 'Bylands', Raikeswood Crescent, Skipton, Yorks.
- Kirk, David Geoffrey, A.C.A., 1964; 27 Sandy Lane, Belle Vue, Doncaster.
- Klage, Graham Christopher William, A.C.A., 1964; 12 North Circular Road, London N3.
- Kleyman, Emmanuel David, A.C.A., 1964; 64 Stratfield Road, Boreham Wood, Herts.
- Knight, David Owen, A.C.A., 1964; 363 Hare Road, Hailey, near Hertford.
- Knox, John Andrew, B.A., A.C.A., 1964; 'Dunkeld', Front Street, Pelton, Chester-le-Street.
- Krish, Jonathan Paul, A.C.A., 1964; Broom Lodge, Ford Lane, Farnham, Surrey.
- Lait, Brian Havelock, A.C.A., 1964; with Whinney, Murray & Co, Chartered Bank Buildings, (PO Box 1263), Crater, Aden.
- Lam, Tak Yu, A.C.A., 1964; 32 King Kwong Street, 3rd Floor, Happy Valley, Hong Kong.
- Lambourne, Christopher Rowlandson, A.C.A., 1964; Grenville House, Cobham, Surrey.
- Lane, Nicholas David Jeremy, B.A., A.C.A., 1964; 55 Portland Place, London W1.
- Lane, Norman Arnold, B.A.(ECON.), A.C.A., 1964; 11 Marlowe Court, Dulwich Wood Park, London SE19.
- Lang, Julian Charles Vaughan, A.C.A., 1964; 'Grey Timbers', West Mersea, Essex.
- Lawrance, Roger Stanley, A.C.A., 1964; Holmesdale Cottage, Boxgrove Lane, Merrow, Guildford, Surrey.
- Lawrenson, John Allen, A.C.A., 1964; 63 Westminster Road, Malvern, Worcs.
- Lawson, David Hopwood, A.C.A., 1964; 8 Bank Lane, Intack, Blackburn.
- Lawton, Peter Arnold, A.C.A., 1964; 47 Hayes Street, West Bromwich, Staffs.
- Leeson, Ian Arthur, B.A., A.C.A., 1964; 'Heathfield', Chilworth, near Southampton.
- Leonard, Michael Francis, B.A., A.C.A., 1964; with Cocke, Vellacott & Hill, 16 Berkeley Street, London W1.
- Leong, Denis, A.C.A., 1964; 28 Menlove Gardens South, Calderstones, Liverpool 18.
- Leppington, Charles Michael, A.C.A., 1964; Station House, Haydon Bridge, Hexham, Northumberland.
- Levene, Leonard Barry, A.C.A., 1964; 61 Station Road, Westcliff-on-Sea, Essex.
- Levison, Brian Lewis, A.C.A., 1964; 3 Choinley Gardens, West Hampstead, London NW6.
- Levy, Brian Alan, A.C.A., 1964; 2 Copthall Gardens, London NW7.
- Lewis, Hywel Gwynne, A.C.A., 1964; 'Llys-Cerdd', North Road, Lampeter, Cardiganshire.
- Lewis, Jeffrey David, A.C.A., 18 The Hornbeams, Frenchay Manor Park, Frenchay, Bristol.
- Lewys-Lloyd, (Miss) Ann Delyth, A.C.A., 1964; 5 Kirby Park, West Kirby, Cheshire.
- Leyhane, Robert Charles, A.C.A., 1964; 81 Morville Street, Bow, London E3.
- Libson, John Leslie, M.A., A.C.A., 1964; with Nyman Libson, Paul & Co, 53 Queen Anne Street, London W1.
- Liggins, John Anthony, A.C.A., 1964; 54 Fletchamstead Highway, Coventry.
- Lindley, Peter Malcolm, A.C.A., 1964; 13 Old Park Avenue, Sheffield 8.
- Lindsay, Hugh, A.C.A., 1964; 53 Normandy Avenue, Barnet, Herts.
- Linger, Robert George, A.C.A., 1964; 184 Adelaide Road, London NW3.
- Lipman, Hyman, B.A.(COM.), A.C.A., 1964; 34 Pickering House, Seven Sisters Road, London N4.
- Littlewood, John, A.C.A., 1964; 11 Grasmere Crescent, Harrogate.
- Llewellyn, Cyril John, A.C.A., 1964; 7 The Philog, Whitchurch, Cardiff.
- Llewellyn-Jones, John Hugh, B.A., A.C.A., 1964; 'Chequertree', Kippington Road, Sevenoaks, Kent.
- Lloyd, Stephen James, B.A., A.C.A., 1964; 86 Lansdowne Road, London W11.
- Lodge, Peter John, A.C.A., 1964; 24 The Charter Road, Woodford Green, Essex.
- Logan, John, A.C.A., 1964; 33 Gordon Avenue, Highams Park, London E4.
- Lohnberg, Michael John, A.C.A., 1964; 'The Rustic', The Avenue, Sunnymeads, near Wraysbury, Staines, Middx.
- Lomax, David Philip, A.C.A., 1964; 180 Oakfield Road, Liverpool 4.
- London, Malcolm John, B.SC.(ECON.), A.C.A., 1964; 18 Westfield Way, Ruislip, Middx.
- Lowdon, Lennox, A.C.A., 1964; 25 Belsize Court, Wedderburn Road, Hampstead, London NW3.
- Lowe, David Lawrence, A.C.A., 1964; 14 Lime Tree Road, Lampton, Hounslow, Middx.
- Lowenstein, Gunter Ferdinand, B.A., A.C.A., 1964; 2 Carisbrooke Close, Hornchurch, Essex.
- Lowery, Christopher George, A.C.A., 1964; 9 Hylton Avenue, South Shields, Co. Durham.
- Lowndes, John Richard Charles, A.C.A., 1964; 'Elmsdale', The Strand, Attenborough, Beeston, Nottingham.
- Lucas, Barry Edwards, A.C.A., 1964; 2 Russell Crescent, Wollaton, Nottingham.
- Lucas, John Philip, A.C.A., 1964; 18 Montagu Crescent, Oakwood, Leeds 8.
- Lynn, Robert Samuel, A.C.A., 1964; 1 Beechcroft Road, Ipswich, Suffolk.
- Lyons, Peter William, A.C.A., 1964; 49 New Dover Road, Canterbury.
- Lytleton, Jonathan Andrew, A.C.A., 1964; 24 Bracknell Gate, Frognal Lane, London NW3.
- McCotter, Richard Andrew, A.C.A., 1964; 10 Chiltern Crescent, Earley, Reading, Berks.
- McCowie, George, A.C.A., 1964; 111 Goathland Avenue, Long Benton Estate, Newcastle upon Tyne 12.
- Macdonald, James William Stuart, B.A., A.C.A., 1964; Coppice House, Speen, Newbury, Berks.
- McDougall, Andrew James, A.C.A., 1964; 'Crossways', Llanbedrog, near Pwllheli, Caerns.
- McDowell, Robert Edward, A.C.A., 1964; 92 Watling Street, Strood, Rochester, Kent.
- McEntyre, David Jeremy, A.C.A., 1964; 'Pine Trees', Wittering Lane, Heswall, Wirral, Cheshire.
- McFadzean, Gordon Barry, B.A., A.C.A., 1964; 'Garthland', Woldingham, Surrey.
- McGinty, Bryan James, A.C.A., 1964; 30 Sandymount Drive, Wallasey, Wirral, Cheshire.
- McIntosh, Ian Alexander Neville, M.A., A.C.A., 1964; 20 Emm Lane, Bradford 9.
- McLaren, Samuel Paterson, A.C.A., 1964; 60 Greenfield Gardens, London NW2.
- McPherson, Keith Strathie, A.C.A., 1964; with Hays, Akers & Hays, 30 Corsitor Street, London EC4.
- Magnay, Brian, A.C.A., 1964; 14 Deneside Avenue, Low Fell, Gateshead, Co. Durham.
- Mahoney, Anthony Denis, A.C.A., 1964; 56 Gledhow Street, Leeds 12.
- Malcolm, Anthony, A.C.A., 1964; 38 Burbeary Road, Lockwood, Huddersfield.
- Mallett, Alan Stuart, A.C.A., 1964; 53 Sutton Court, Chiswick, London W4.
- Malyon, Geoffrey Edward, A.C.A., 1964; 59 Manor Road, Chigwell, Essex.
- Mannion, John Joseph, A.C.A., 1964; 102 Northenden Road, Sale, Cheshire.
- Mantel, Ralph, A.C.A., 1964; 106 Berengrave Lane, Rainham, Gillingham, Kent.
- Marcus, Malcolm Barrie, A.C.A., 1964; 15 Fairhaven Avenue, Whitefield, Manchester.
- Markham, John Michael Gervase, A.C.A., 1964; The Old Vicarage, Bitton, near Bristol.
- Marsh, Roger William, B.A., A.C.A., 1964; 7 Morpeth Mansions, London SW1.
- Marshall, Henry John Francis, B.A., A.C.A., 1964; 8 Rue de Lorraine, Asnières, Seine, France.
- Marshall, Michael Alfred, A.C.A., 1964; 24 Chamberlayne Road, Pillands Estate, Bursledon, Hants.
- Marin, Timothy, A.S.A.A., 1964; 'Isomer', Higher Brimley, Teignmouth, Devon.
- Martin, William Keith, A.C.A., 1964; Gothic Cottage, Holy Well Road, Malvern Wells, Worcs.
- Marvin, Joseph Anthony, A.C.A., 1964; 29 Alexandra Road, Stonegate, Leics.
- Mason, Richard Dan, A.C.A., 1964; 'Chaldens', Broadbridge Heath, Horsham, Sussex.
- Mason, Terence Harold, A.C.A., 1964; 36 Benton Crescent, Bloxwich, Walsall.
- Massey, Alan Joseph, B.SC.(ECON.), A.C.A., 1964; 809 Sidcup Road, New Eltham, London SE9.
- Massey, Roger Charles, A.C.A., 1964; 'Longacre', Hurdle Way, Compton Down, near Winchester.
- Matthew, Philip Gregory, A.C.A., 1964; 43 Danson Crescent, Welling, Kent.
- Matthews, William Brian, A.C.A., 1964; 33 Gatling Road, Abbey Wood, London SE2.
- Mawby, Jack Edward, A.C.A., 1964; 1 The Drive, Hest Bank, Lancaster.



April 18th, 1964

- Maxwell, Cameron Anderson, A.C.A., 1964; 86 Kenilworth Avenue, Reading.
- May, David Reynolds, A.C.A., 1964; 50 Ewell Avenue, West Malling, Kent.
- Meade, Brendan John, A.C.A., 1964; 23 Warfield Road, Bracknell, Berks.
- Mecklenburgh, Malcolm Leslie Gover, A.C.A., 1964; 12 Chiltern Drive, Barton on Sea, New Milton, Hants.
- Meller, Andrew Temple, A.C.A., 1964; 66 Redcliffe Gardens, London SW10.
- Mercer, John Alexander, A.C.A., 1964; 30 Reservoir Road, Woolton, Liverpool 25.
- Merrifield, Christopher, A.C.A., 1964; with David Owen & Co, Bank Chambers, Devizes, Wilts.
- Merrin, Duncan Samuel Rothwell, A.C.A., 1964; 17 Stamford Road, Chorlton-cum-Hardy, Manchester 21.
- Micklethwait, Anthony Robert, M.A., A.C.A., 1964; 71 Harvest Road, Englefield Green, Surrey.
- Middleton, Lance Cyril, A.C.A., 1964; 82 Coles Road, Milton, Cambs.
- Miles, Keith Charles, A.C.A., 1964; 10 Hill House Close, Winchmore Hill, London N21.
- Miliffe, Patrick Joseph, A.C.A., 1964; 9 Watery Lane, Merton Park, London SW20.
- Miller, John Lorimer, A.C.A., 1964; 52 Princes Square, London W2.
- Milton, John David, A.C.A., 1964; 64 Main Street, Hartford, Huntingdon.
- Mines, Thomas John, A.C.A., 1964; 8 Ingleby Gardens, Chigwell Row, Chigwell, Essex.
- Mistry, Dara Rustumji, LL.M., A.C.A., 1964; Lloyds Bank Ltd 32 Westbourne Grove, London W2.
- Mitchell, Brian William, A.C.A., 1964; 'Oak Croft', Stonyfold Lane, Bosley, near Macclesfield, Cheshire.
- Mitchell, Terence John, A.C.A., 1964; 6 Holly Hill, Hampstead, London NW3.
- Mittal, Surakshit Kumar, A.C.A., 1964; 66 Burghley Road, Tufnell Park, London NW5.
- Mockeridge, Michael Peter, A.C.A., 1964; 65 Beedel Avenue, Westcliff-on-Sea, Essex.
- Modha, Vrajilal Ladhubhai Jivabhai, A.C.A., 1964; 15 Pretoria Road, Streatham, London SW16.
- Mogford, Brian Alexander, A.C.A., 1964; 63 Cotton Lane, Moseley, Birmingham 13.
- Monk, Robert Geoffrey, A.C.A., 1964; 40 Parkhouse Gardens, East Twickenham, Middx.
- Moore, Geoffrey George, A.C.A., 1964; 41 Penmark Green, Ely, Cambs.
- Moore, Charles Godfrey, A.C.A., 1964; 28 Waterloo Road, Birkdale, Southport.
- Mordy, William Henry John, A.C.A., 1964; 29 Breary Lane, Bramhope, Leeds.
- Morland, Dominic Paul, B.A., A.C.A., 1964; 56 Blomfield Road, London W9.
- Morris, Albert Gerard, A.C.A., 1964; 9 Endsleigh Road, Waterloo, Liverpool 22.
- Morris, Jeremy Richard, B.A., A.C.A., 1964; 32 Chessington Avenue, Finchley, London N3.
- Mortimer, Barry, A.C.A., 1964; 113 Sterling Road, Tunstall, Sittingbourne, Kent.
- Morton, Michael, A.C.A., 1964; 185 Abingdon Street, Derby.
- Mouser, George Henry William, A.C.A., 1964; 92 Parkstone Avenue, Emerson Park, Hornchurch, Essex.
- Mowat, Magnus Charles, A.C.A., 1964; Lake House, Ellesmere, Salop.
- Mowbray, Charles Courtice, A.C.A., 1964; 18 Moore Lane, Thornton, Liverpool 23.
- Moxon, Leslie, M.A., A.C.A., 1964; 14 Hollin Crescent, Leeds 16.
- Mujtaba, Ejaz, A.C.A., 1964; with Fisher & Finlay, 64-66 Camden High Street, London NW1.
- Mulhall, James Bernard, A.C.A., 1964; 32 Henry Road, Aylesbury, Bucks.
- Munro, Neil John Tarry, A.C.A., 1964; with Crowther, Davies & Co, 41 Dover Street, Piccadilly, London W1.
- Murfit, William Kay, A.C.A., 1964; East Crest, Red Lane, Colne, Lancs.
- Murray, John, B.A.(ECON.), A.C.A., 1964; 44 Horatio Street, Roker, Sunderland.
- Murray, John Howard, A.C.A., 1964; 73 Clarendon Road, Thornaby-on-Tees, Yorks.
- Murton, Derek Brian, A.C.A., 1964; 14 Silhalls Close, Ashley, near Newmarket, Suffolk.
- Myatt, Peter Leslie, B.COM., A.C.A., 1964; 12 Dovecot Avenue, Knotty Ash, Liverpool 14.
- Nathwani, Harilal Jivraj Keshavji, B.SC.(ECON.), A.C.A., 1964; PO Box 313, Mombasa, Kenya.
- Naylor, John Brian, B.A.(COM.), A.C.A., 1964; 74 Stonyhill Avenue, Blackpool.
- Nelson-Gracie, Roderick, A.C.A., 1964; 126 Elgin Crescent, London W11.
- Newbery, Christopher Hugh, A.C.A., 1964; with Bourner Bullock, Andrews & Co, Bush Lane House, Cannon Street, London EC4.
- Newbery, Robert Gerald Nicholson, A.C.A., 1964; 79 Northumberland Road, Leamington Spa, Warwick.
- Newhouse, Peter John, A.C.A., 1964; L'Aleval Cottage, Green Hill, St Peter, Jersey, CI.
- Newsome, Timothy John, A.C.A., 1964; 7 Hinchcliffe Crescent, Queens Drive, Ossett, Yorks.
- Newton, John Philip, A.C.A., 1964; 155 Brampton Road, Carlisle.
- Newton, Robert Paul James, A.C.A., 1964; 8 Compton Avenue, Parkstone, Poole, Dorset.
- Nicholson, Peter, A.C.A., 1964; 9 Gladstone Street, Hartlepool, Co. Durham.
- Nixon, John, A.C.A., 1964; 6 Princes Crescent, Skipton, Yorks.
- Norbury, James Frederick, A.C.A., 1964; with Dryden, Dorrington & Co, Kent House, 21 Spring Gardens, Manchester 2.
- Norton, Richard Jonathan, A.C.A., 1964; 14 Highfield Gardens, London NW11.
- Oakes, Anthony Clarke, A.C.A., 1964; 30 Riddlesdown Avenue, Purley, Surrey.
- Oates, Warren, A.C.A., 1964; 51 Larch Hill Crescent, Odsal, Bradford.
- O'Brien, Michael, A.C.A., 1964; 68 Scuth Audley Street, London W1.
- O'Brien, Patrick Charles, A.C.A., 1964; 47 Greenway Crescent, Taunton, Somerset.
- O'Callaghan, Michael Henry Desmond, A.C.A., 1964; 58 Wickham Way, Beckenham, Kent.
- O'Driscoll, Brian Terence, A.C.A., 1964; 'The Grange', Horton Kirby, Kent.
- Ody, Keith Alan, A.C.A., 1964; 4 Ravenscroft Avenue, Wembley, Middx.
- Ogbunju, Vincent Udebuana, A.C.A., 1964; 51 Manley Road, Whalley Range, Manchester 16.
- Ogunbiyi, Kolade Oluwole, A.C.A., 1964; 23 Linden Court, Anerley Park, London SE20.
- Ogutuga, Dolanimi Babafemi Olabamicle, A.C.A., 1964; London House, Mecklenburgh Square, London WC1.
- Oldhams, William Charles, A.C.A., 1964; 31 Adelaide Close, Stanmore, Middx.
- O'Leary, Terence, A.C.A., 1964; 2 Princes Avenue, Muswell Hill, London N10.
- Oliver, Joseph Edward, A.C.A., 1964; 50 Lancaster Road, Marton, Blackpool.
- Openshaw, John Davis, A.C.A., 1964; 112 Richmond Road, South Shields.
- Orrow, Royston James, A.C.A., 1964; 19 Branksea Street, Fulham, London SW2.
- Osborne, William Leslie Frank, A.C.A., 1964; 12 Heol-y-Deri, Morriston, Swansea.
- O'Shea, John, A.C.A., 1964; 63 Thornton Crescent, Blaydon-on-Tyne, Co. Durham.
- Osmond, Jeffrey, LL.B., A.C.A., 1964; 10 Ingoldsby Road, Birchington, Kent.
- Osmond, Patrick Richard Venner, A.C.A., 1964; 'Thoresway', Market Rasen, Lincs.
- Otley, Thomas Richard, A.C.A., 1964; 'Sloghterwyks', Norwood Hill, near Horley, Surrey.
- Overton, James Stewart, A.C.A., 1964; 5 Knoll Road, Sidcup, Kent.
- Owen, David George, A.C.A., 1964; Elvin Cottage, Woodside, Little Baddow, Chelmsford, Essex.
- Owen, (Miss) Jennifer Mary, A.C.A., 1964; 'Charnwood', Hill Top Avenue, Wilmslow, Cheshire.
- Oxley, William, A.C.A., 1964; 33 Dartmouth Park Road, London NW5.
- Padovan, John Mario Faskally, LL.B., B.C.L., A.C.A., 1964; 'Domus', Oxshott Way, Cobham, Surrey.
- Palmer, Bernard Marriot, A.C.A., 1964; 52 Grove Avenue, Harpenden, Herts.
- Palmer, Donald Angus, A.C.A., 1964; 8 Garrick Close, Walton-on-Thames, Surrey.
- Palmer, Reginald Frank, A.C.A., 1964; 4 Brandville Gardens, Barkingside, Ilford, Essex.
- Park, Kenneth Norman, B.A.(ECON.), A.C.A., 1964; 20 Bracken Road, Darlington.
- Parrott, Michael Colin, A.C.A., 1964; West Hill Farm, Heytesbury, Wiltshire, Wilts.
- Parry-Wingfield, Maurice Andrew, B.A., A.C.A., 1964; Flat 3, 56 Eton Avenue, London NW3.

- Pasquill, John Hilton, A.C.A., 1964; 'Wayside', Leeds Road, Collingham, Wetherby, Yorks.
- Pasricha, Jagjit Lal, B.A., A.C.A., 1964; 217 Cromwell Mansions, Cromwell Road, London SW5.
- Patel, Manubhai Umedbhai, A.C.A., 1964; 74 Huntingdon Road, East Finchley, London N2.
- Patterson, John Corner, A.C.A., 1964; 156 Whinneyfield Road, Newcastle upon Tyne 6.
- Paulding, Richard John, A.C.A., 1964; 550 Holdenhurst Road, Queens Park, Bournemouth.
- Paun, Rajnikant Jagjivan, A.C.A., 1964; 36 Great Cumberland Place, London W1.
- Peake, Howard Neil, A.C.A., 1964; 'Three Ways', Chapel Chorlton, Newcastle, Staffs.
- Pearlman, David, B.A., B.Sc.(ECON.), A.C.A., 1964; 1 Alba Gardens, London NW11.
- Peat, Richard Henry, A.C.A., 1964; Hockwold Hall, Hockwold-cum-Wilton, near Thetford, Norfolk.
- Penwill, James Grant, B.COM., A.C.A., 1964; 11 Brookway, Greasby, Upton, Wirral, Cheshire.
- Perera, Osmund, A.C.A., 1964; with Turquand, Youngs & Co, 19 Coleman Street, London EC2.
- Perkins, John Travers, A.C.A., 1964; with Blakemore, Elgar & Co, 124 Chancery Lane, London WC2.
- Philippou, Andreas Joannou, B.Sc.(ECON.), A.C.A., 1964; 11 Cornwall Road, London N4.
- Phillips, John Minter, B.A., A.C.A., 1964; 'Trepennol', Hayle, Cornwall.
- Phrakhun, Robert Sumet, A.C.A., 1964; 'Tara', Oaklands Avenue West, Saltdean, Brighton.
- Pickess, Brian Arthur, A.C.A., 1964; 8 Church Terrace, Lewisham, London SE13.
- Pickles, Robert Granville, A.C.A., 1964; 84 Leeds Road, Selby, Yorkshire.
- Picksley, Brian Patrick, A.C.A., 1964; Highgate Road, Normanby-by-Spital, Lincoln.
- Pike, John Robert, A.C.A., 1964; 68 Eskdale Avenue, Northolt, Middx.
- Pilgrem, Colin Howard, A.C.A., 1964; 50 Westcliff Park Drive, Westcliff-on-Sea, Essex.
- Pillai, Raymond Ajit, B.A., A.C.A., 1964; 104 Dudley Court, Upper Berkeley Street, London W1.
- Pitt, John Reuben, A.C.A., 1964; 107 Mildenhall Road, Clapton, London E5.
- Pollard, Alan Michael Whitshed, A.C.A., 1964; 337A Alexandra Mansions, Kings Road, London SW3.
- Pollins, Martin, A.C.A., 1964; 2 Westway Gardens, Mile Oake, Portslade, Brighton, Sussex.
- Pollock, John Christopher, A.C.A., 1964; 7 Town Court Crescent, Petts Wood, Orpington, Kent.
- Porter, Noel Morris, A.C.A., 1964; 21 South Parade, West Kirby, Wirral, Cheshire.
- Porterhill, Richard George, A.C.A., 1964; 69 Oxford Road, Banbury, Oxon.
- Pott, Michael William Richard, A.C.A., 1964; 30 Belgrave Gardens, London NW8.
- Potter, Alan Richard, A.C.A., 1964; 'Tranmere', Babbacombe Downs Road, Torquay.
- Potter, John Jeremy McKinnell, B.A., A.C.A., 1964; Abbot's Mead, Chestfield Road, Chestfield, Whitstable, Kent.
- Poulard, Christopher, A.C.A., 1964; 12 The Paddocks, Ingatestone, Essex.
- Povoas, Graham Stanley, A.C.A., 1964; 56 Hilders Road, Leicester.
- Powvala, Khershed Manek, A.C.A., 1964; Montgomery House, Alexandra Park, Manchester 16.
- Pratt, Edward John, A.C.A., 1964; 6 Markham Avenue, Rawdon, Leeds.
- Price, Sydney Stephen, A.C.A., 1964; 88 High Street, Measham, near Burton-on-Trent, Staffs.
- Prowing, Kenneth David Jack, A.C.A., 1964; 9 Tortworth Road, Horfield, Bristol 7.
- Purcell, Leslie, B.A.(COM.), A.C.A., 1964; 5 High Street East, Glossop, Derbyshire.
- Purcell, Patrick John, A.C.A., 1964; 16 Evansfield Road, Llandaff North, Cardiff.
- Rainey, Graham John Holmes, A.C.A., 1964; 74 Castledine Street, Loughborough, Leics.
- Ramanathan, Sinniah, B.Sc.(ECON.), A.C.A., 1964; c/o Mr T. Thuraisingham, 153 Endlesham Road, London SW12.
- Raphael, David Howard Gordon, A.C.A., 1964; 5A Cope Place, London W8.
- Rattray, James Stephen, A.C.A., 1964; 23 Park Hill Road, Wallington, Surrey.
- Rawlins, David James William Palmer, A.C.A., 1964; Barkham Manor, near Wokingham, Berks.
- Rawse, John Malcolm, A.C.A., 1964; 81 Lister Avenue, East Bowling, Bradford 4.
- Rayner, Alan, A.C.A., 1964; 21 Sandringham Gardens, North Finchley, London N12.
- Rayner, Paul Anthony George, B.A.(ECON.), A.C.A., 1964; White Cottage, Oak Street, Deal, Kent.
- Record, Anthony, A.C.A., 1964; 20 Castle Hill Avenue, Folkestone, Kent.
- Reddy, James George, A.C.A., 1964; 20 Salisbury House, Highbury Corner, London N5.
- Reed, John Nigel, A.C.A., 1964; The Green, Whitburn, Co. Durham.
- Reeve, John Walford, A.C.A., 1964; High Croft, Claverdon, Warwick.
- Refson, Philip Sydney, A.C.A., 1964; 247 Kenton Avenue, Kenton, Newcastle upon Tyne 3.
- Reid, Alister Bruce, A.C.A., 1964; 4 Westbury Drive, Brentwood, Essex.
- Reid, Donald Peter, A.C.A., 1964; 9 Langton Close, Maidenhead, Berks.
- Renwick, John Stuart, A.C.A., 1964; 3 Alton Street, Hathershaw, Oldham.
- Reynolds, Lancelot Fitzgerald, A.C.A., 1964; 23 Wandsworth Common, Westside, London SW18.
- Richards, Gordon Samuel, A.C.A., 1964; 'The Limes', Nutfield, Surrey.
- Richardson, Brian, A.C.A., 1964; 14 Harrow Drive, Brooklands, Sale, Cheshire.
- Richardson, John, A.C.A., 1964; 28 New Line, Bacup, Lancs.
- Richardson, Martin Allen, A.C.A., 1964; 12 Trout Lane, Barns Green, near Horsham, Sussex.
- Richardson, Philip, A.C.A., 1964; 529A Finchley Road, Hampstead, London NW3.
- Riches, Leslie Ernest Charles, B.Sc.(ECON.), A.C.A., 1964; 58 Imperial Drive, North Harrow, Middx.
- Richings, Anthony Keith, A.C.A., 1964; 16 Belle Vue Bank, Low Fell, Gateshead 9.
- Ridehalgh, Frank, A.C.A., 1964; 36 Victoria Avenue, Chatburn, Clitheroe, Lancs.
- Rider, John Francis, A.C.A., 1964; 29 Hillside, Sawston, Cambridge.
- Ridley, Paul, A.C.A., 1964; 15 Scardale Crescent, Scarborough.
- Riley, Geoffrey Haigh, A.C.A., 1964; 9 Dalton Green Lane, Dalton, Huddersfield.
- Rix, John Edward, B.A., A.C.A., 1964; with Price Waterhouse & Co, 2000 Hamburg 11, Alter Fischmarkt 11, Germany.
- Roberts, Alwyn, B.A.(ECON.), A.C.A., 1964; 13 Kings Road, Accrington.
- Roberts, Colin John, A.C.A., 1964; 18 Lansdowne Road, Stanmore, Middx.
- Roberts, Derek, A.C.A., 1964; 17 Marlborough Avenue, Netherton, Bootle 10, Lancs.
- Roberts, Geoffrey Alan, A.C.A., 1964; 55 Browns Road, Surbiton Hill, Surrey.
- Roberts, George Edward, A.C.A., 1964; 26 Lynwood Grove, Audenshaw, Manchester.
- Roberts, Michael Anthony, A.C.A., 1964; 30 Shaws Way, Twerton Estate, Bath.
- Roberts, Richard Thomas Howard, A.C.A., 1964; 35 Astons Road, Moor Park, Northwood, Middx.
- Robinson, Christopher Heathcote, A.C.A., 1964; 137 Wades Hill, Winchmore Hill, London N21.
- Robinson, Frederick Charles Edward, A.C.A., 1964; 8 Watson Avenue, North Cheam, Sutton, Surrey.
- Robinson, Harry Charles, B.Sc., A.C.A., 1964; 49 Oakfield Gardens, Edmonton, London N18.
- Rockett, Christopher John, A.C.A., 1964; 6 Dryclough Road, Crosland Moor, Huddersfield.
- Ross, Neil Charles, A.C.A., 1964; with Peat Marwick, Mitchell & Co, 17 Eldon Square, Newcastle upon Tyne 1.
- Ross, Stephen Harris, A.C.A., 1964; 53 Avenue Road, London NW8.
- Rosser, Thomas David Brian, A.C.A., 1964; 76 Swansea Road, Pontllw, Swansea.
- Rowan, Nigel Lewis, A.C.A., 1964; 32 Purcells Avenue, Edgware, Middx.
- Rowlandson, Richard Graham St John, A.C.A., 1964; Harmer Green End, Welwyn, Herts.
- Safi, Mahmoud Omar, B.COM., A.C.A., 1964; 48 Rusholme Road, London SW15.
- Sahgal, Arjun Pradip, B.A., A.C.A., 1964; 16 Wolverton Gardens, Ealing, London W5.
- Sakhujia, Hitendra, A.C.A., 1964; 23 Worsley Road, Hampstead, London NW3.
- Salmon, Peter, A.C.A., 1964; 104 Lancaster Avenue, Slough, Bucks.

- Salt, Geoffrey Keith, A.C.A., 1964; Clifden House, Tattenhall, Chester.
- Salt, William, B.COM., A.C.A., 1964; 15 Creswick Lane, Grenoside, near Sheffield.
- Salter, (Miss) Jennifer Anne, A.C.A., 1964; 3 Townlands, Bradninch, Exeter.
- Sampson, Terence Harold Morris, A.C.A., 1964; 12 Park Drive, Midgey Ghyll, Whitehaven, Cumberland.
- Sanger, James Gerald, B.A., A.C.A., 1964; Willingham Cottage, Send, Surrey.
- Saywell, John Anthony Telfer, A.C.A., 1964; 415 Russell Court, Woburn Place, London WC1.
- Scade, Thomas Ian Inglis, A.C.A., 1964; 15 The Cherry Orchard, Hadlow, Kent.
- Schuldenfrei, Peter, A.C.A., 1964; 139 Wembley Hill Road, Wembley, Middx.
- Scouse, Francis James, B.COM., A.C.A., 1964; 478 Redditch Road, Kings Norton, Birmingham 30.
- Scovell, Martin Gilbert, A.C.A., 1964; 5 Barton Road, West Kensington, London W14.
- Seabrook, Timothy James, A.C.A., 1964; Cleveland House, Ashton Keynes, near Swindon, Wilts.
- Seddon, Roger John, A.C.A., 1964; 20 Colwyn Avenue, Rhos-on-Sea, Colwyn Bay.
- Seevaratnam, Theivendran, B.SC.(ECON.), A.C.A., 1964; 19 Dukes Avenue, Finchley Central, London N3.
- Sennett, Barry Rodney, A.C.A., 1964; 10 Woodfield Avenue, Northwood, Middx.
- Shair, Wahib Abdo, B.SC.(ECON.), A.C.A., 1964; 56 Draycott Place, London SW3.
- Shapiro, Jeffrey Israel Joseph, A.C.A., 1964; 37 The Chase, Stanmore, Middx.
- Sharman, John, A.C.A., 1964; 27 Summerhill Road, London N15.
- Sharpe, Guy William, A.C.A., 1964; 19 Beechwood Avenue, Kew, Richmond, Surrey.
- Sharpe, John Thornhill, B.COM., A.C.A., 1964; 29 Primrose Croft, Hall Green, Birmingham 28.
- Sharples, William Geoffrey, A.C.A., 1964; 19 Cantsfield Avenue, Ingol, Preston.
- Sharrock, David Henry, A.C.A., 1964; 241 Avenue Parade, Accrington.
- Shaw, Philip Duncan, A.C.A., 1964; 'Drummaids', Duncroft Close, Reigate, Surrey.
- Shaw, Timothy Robert, B.A., A.C.A., 1964; High Wold, Woldingham, Surrey.
- Sheppard, John Laurence, A.C.A., 1964; 79 Old Kennels Lane, Olivers Battery, Winchester.
- Shields, Alan John, A.C.A., 1964; 'Deepe Dell', Beckenham Place Park, Beckenham, Kent.
- Shorter, Gervase Thomas More, B.A., A.C.A., 1964; 93 Cloudeley Road, London N1.
- Shrubbsall, Roger Francis, A.C.A., 1964; 18 Hillcrest Road, Orpington, Kent.
- Sills, Christopher Darlington, A.C.A., 1964; 61 Kenninghall Road, London E5.
- Simmonds, Michael, A.C.A., 1964; 32 Oakenshaw Close, Surbiton, Surrey.
- Simmons, Brian William, A.C.A., 1964; 2 Beechwood Avenue, Coulsdon, Surrey.
- Simpson, Ian David, A.C.A., 1964; Ashfield House, 93 New North Road, Huddersfield.
- Sivers, Ronald George, A.C.A., 1964; 213 Western Avenue, North Acton, London W3.
- Skeels, John William, A.C.A., 1964; 6 Priorswood Road, Hertford Heath, Hertford.
- Skidmore, Terence, A.C.A., 1964; 94 Sidwell Street, Exeter.
- Skinner, Ronald Anthony, A.C.A., 1964; 3 Hexham Place, Ham Estate, Plymouth.
- Sleater, William, A.C.A., 1964; c/o 67 Leix Road, Cabra, Dublin 7.
- Slee, Thomas William, A.C.A., 1964; 'Cloveley', Tinkers Cross, Fordingbridge, Hants.
- Slobom, David Laurence, A.C.A., 1964; 3 Elmar Road, Aigburth, Liverpool 17.
- Smith, Angus Frank, A.C.A., 1964; Shilling Old Grange, Lavenham, Suffolk.
- Smith, Anthony Roger, A.C.A., 1964; Blackamoors Head, Market Place, Loughborough, Leics.
- Smith, Brian Grenville, B.SC.(ECON.), A.C.A., 1964; 'Woodbury', Haddon Road, Chorleywood, Herts.
- Smith, Graham, A.C.A., 1964; 'The Malverns', Croft Drive East, Caldy, Cheshire.
- Smith, Graham Minter, A.C.A., 1964; 68 Westhouse Grove, Kings Heath, Birmingham 14.
- Smith, Peter John, A.C.A., 1964; 176 Hatton Road, Bedford, Middx.
- Smith, Reginald Bryan, A.C.A., 1964; 4 Ludovic Terrace, Wigan.
- Smith, Roger Newnes, A.C.A., 1964; 30 Bourne Road, Farncombe, Godalming, Surrey.
- Smith, (Miss) Susan Valerie, A.C.A., 1964; 27 Weavers Walk, Bell Green, Coventry.
- Smouha, Brian Andrew, B.A., A.C.A., 1954; 19 Eaton Place, London SW1.
- Snowball, John Edward, A.C.A., 1964; 9 Coronation Terrace, Chester-le-Street, Co. Durham.
- Soerakoesoemah, Moehamad, B.SC.(ECON.), A.C.A., 1964; Djl. Madura No. 13, Djakarta, Indonesia.
- Solomon, Edward Samuel Elizer, A.C.A., 1964; 36 Grove Crescent, Kingsbury, London NW9.
- Solomon, Henry Maurice, A.C.A., 1964; 8 Lorraine Court, Davigdor Road, Hove 2, Sussex.
- Somers, Hugh Stanley, A.C.A., 1964; 3 Formosa Street, Maida Vale, London W9.
- Sotiris, Ronald Leslie, A.C.A., 1964; 8 Wynell Road, Forest Hill, London SE23.
- Sparkes, Trevor Malcolm, A.C.A., 1964; 23 Cardigan Crescent, Weston-super-Mare.
- Speakman, Tony Boon, B.COM., A.C.A., 1964; 17 Ruskin Walk, Herne Hill, London SE24.
- Speed, Jeremy Edward Martin, A.C.A., 1964; Spring Cottage, Box, near Stroud, Glos.
- Spouse, William Reynolds, A.C.A., 1964; 38 Heath Drive, Gidea Park, Romford, Essex.
- Spratt, Peter Frank, A.C.A., 1964; 39 Meadway Court, Meadway, London NW11.
- Spring, Graham Godfrey, A.C.A., 1964; 67 Northumberland Road, New Barnet, Herts.
- Squires, Robert Freeland, A.C.A., 1964; 6 Galway Crescent, Retford, Notts.
- Stainforth, Nigel David Moxon, A.C.A., 1964; 'Highfield', Mount Pleasant, Hartley Wintney, Hants.
- Stamp, Ewen George Morrell, A.C.A., 1964; 15 Osborne Avenue, Newcastle upon Tyne 2.
- Stanford, Thomas James Francis, B.A., A.C.A., 1964; 443 Glossop Road, Sheffield 10.
- Stedman, Jonathan Robert, A.C.A., 1964; Yew Cottage, Burwood Park, Walton-on-Thames, Surrey.
- Stern, Michael Charles, A.C.A., 1964; 15 Oakfield Road, Finchley, London N3.
- Sterry, John Alfred, A.C.A., 1964; 204 Balfour Road, Ilford, Essex.
- Stevens, David, A.C.A., 1964; 1A Cadogan Road, Surbiton, Surrey.
- Stevens, Derek Maurice, B.SC.(ECON.), A.C.A., 1964; c/o School of Business Administration, University of California, Berkeley 4, California, U.S.A.
- Stevenson, Paul Harry, A.C.A., 1964; 20 Ash Grove, Stapleford, Nottingham.
- Stewart, Michael Osmun Latrobe, A.C.A., 1964; 4 Stratheden Court, 33 Grove Road, Sutton, Surrey.
- Stobbs, Geoffrey Nicholas, A.C.A., 1964; 'Thornwood', Meadowfield Road, Stocksfield, Northumberland.
- Stobbs, Ralph Anthony Cunningham, A.C.A., 1964; with W. T. Walton & Son, Marlow House, Lloyds Avenue, London EC3.
- Stocks, Francis William Richard, A.C.A., 1964; 'Gunwalloe', Littlestone-on-Sea, New Romney, Kent.
- Stockton, John William Blaze, A.C.A., 1964; 14 Grass Street, Darlington.
- Stone, Roy, A.C.A., 1964; 60 Clissold Court, Green Lanes, London N4.
- Stonell, (Miss) Margaret Ruth, A.C.A., 1964; 29 Manor Road, Dorchester, Dorset.
- Stott, Edward, A.C.A., 1964; 100 Gloucester Road, Droylsden, Manchester.
- Stovold, Brian Sidney Charles, A.C.A., 1964; 11 Morland Way, Cheshunt, Herts.
- Stovold, Timothy John Terence, A.C.A., 1964; Bowling Alley House, Little Baddow, Chelmsford.
- Strain, Brian Hugh Stancliffe Johnson, A.C.A., 1964; Springfield, Killinghall, Harrogate.
- Strang, Malcolm Robert, A.C.A., 1964; 407 Acklam Road, Middlesbrough.
- Stream, John Stuart, A.C.A., 1964; 21 East Albany Road, Seaford, Sussex.
- Stroh, Jack, A.C.A., 1964; 90 Thurleigh Road, Balham, London SW12.
- Strong, Charles Michael, B.A., A.C.A., 1964; 49 Brockwood Lane, Welwyn Garden City, Herts.
- Strover, John Yates Richard, A.C.A., 1964; 'The Hollies', Gibson's Hill, London SW16.
- Stubbs, Jeffrey, A.C.A., 1964; 72 Grombold Avenue, Raunds, Wellingborough, Northants.
- Sturge, Simon Harold, A.C.A., 1964; 85 Woodlands Road, Surbiton, Surrey.

- Sturgis, Julian Russell, A.C.A., 1964; 1 Clifton Place, London W2.  
 Sugarman, Maurice, A.C.A., 1964; 50 Woodland Court, Dyke Road Avenue, Hove 4.  
 Sully, John Melbourne, B.A., A.C.A., 1964; 9 Vicarage Avenue, Derby.  
 Suter, David William, A.C.A., 1964; 51 Ross Road, London SE25.  
 Sweet, Geoffrey Eustace, A.C.A., 1964; 'Wayside', Cheswardine, Market Drayton, Salop.  
 Sykes, Keith Anthony Mallalieu, LL.B., A.C.A., 1964; 24B Warren Drive, Wallasey, Cheshire.  
 Syrratt, Leslie Frank, A.C.A., 1964; 10 Raynton Close, Hayes, Middx.  
 Tallon, David Seymour, A.C.A., 1964; 19 Highgate Edge, Great North Road, London N2.  
 Taylor, George William, A.C.A., 1964; 27 Mafeking Street, Pallion, Sunderland.  
 Taylor, Harold William, A.C.A., 1964; 34 Elmore Green Road, Bloxwich, Walsall.  
 Taylor, James Nigel Rodney, A.C.A., 1964; 8 Countisbury Drive, Liverpool 16.  
 Taylor, Ronald George, A.C.A., 1964; 34 Gloucester Avenue, Blackpool.  
 Taylor, William Brian, A.C.A., 1964; Ebor Cottage, Upper Poppleton, York.  
 Tew, Colin Charles, A.C.A., 1964; 64 Pinkwell Avenue, Hayes, Middx.  
 Thakrar, Rameshchandra Liladhar, A.C.A., 1964; 68 Balcombe Street, London NW1.  
 Thein, Maung Maung, A.C.A., 1964; Flat 16, 24 Pembridge Square, London W2.  
 Thom, Timothy Ritchie, A.C.A., 1964; 63 Pashley Road, Eastbourne.  
 Thomas, Andrew Gerald, A.C.A., 1964; 'Westgarth', Priory Road, West Kirby, Cheshire.  
 Thomas, John Roger, A.C.A., 1964; 15 Station Road, Loughor, Swansea.  
 Thomas, Philip Kenyon, A.C.A., 1964; 16 The Paddock, Kirkheaton, Huddersfield.  
 Thomas, Roger Nigel, A.C.A., 1964; 6 Canberra Crescent, Glaslwich, Newport, Mon.  
 Thomas, Roy Francis, A.C.A., 1964; 2 Park Avenue, Church End, Finchley, London N3.  
 Thompson, Bernard, A.C.A., 1964; 1 Douglas Road, Dudley, Worcs.  
 Thompson, Douglas Malcolm, A.C.A., 1964; 163 Monyhull Hall Road, Kings Norton, Birmingham 30.  
 Thompson-McCausland, Benedict Maurice Perronet, B.A., A.C.A., 1964; 58 Elgin Crescent, London W11.  
 Thomson, Iain Kenneth Cameron, B.A., A.C.A., 1964; Hainakor Hill, Barne Lane, Milford-on-Sea, near Lymington, Hants.  
 Thomson, John Wells, M.A., A.C.A., 1964; Melcombe Lodge, Peachfield Road, Malvern Wells, Worcs.  
 Thomson, Roger Philip Alexander, A.C.A., 1964; 41 Fernhurst Road, Addiscombe, Croydon, Surrey.  
 Thorne, Gerald Anthony, A.C.A., 1964; with Thornton Baker & Co, 34 Ship Street, Brighton 1.  
 Tomlinson, John, A.C.A., 1964; 2 Healey Avenue, Rochdale.  
 Toulmin, John Trenchard, A.C.A., 1964; Grove Farm, Grove Lane, Timperley, Cheshire.  
 Trapnell, Michael John, A.C.A., 1964; 'Invermay', Knowle Hill, Budleigh Salterton, South Devon.  
 Travers, Thomas Christopher, M.A., A.C.A., 1964; Ducksbury, Tunstall, Carnforth, Lancs.  
 Trent, Brian Frank, A.C.A., 1964; 45 Emperor's Gate, London SW7.  
 Trill, Peter John, A.C.A., 1964; 14 Gloucester Drive, London N4.  
 Truby, William George, B.A.(ECON.), A.C.A., 1964; 99 Cotham Brow, Bristol 6.  
 Trueman, John Harry, A.C.A., 1964; 74 Campbells Green, Sheldon, Birmingham 26.  
 Tunwell, Richard Arthur John, A.C.A., 1964; 6 Rosebarn Avenue, Pennsylvania, Exeter, Devon.  
 Turnbull, George, A.C.A., 1964; 44 Whickham Street, Sunderland.  
 Turner, John Duncan, A.C.A., 1964; 236 Warley Road, Halifax.  
 Twinn, Leslie, A.C.A., 1964; 32 Wormhill Terrace, Fatfield, Washington, Co. Durham.  
 Tyler, Geoffrey, A.C.A., 1964; 105 Mansfield Street, Sherwood, Nottingham.  
 Uku, Bede James Alaba, A.C.A., 1964; with Akintola Williams & Co, 134-136 Broad Street, Lagos, Nigeria.  
 Umney, Roy Charles, A.C.A., 1964; 76 Aberdeen Park, Highbury Grove, London N5.  
 Underwood, Brian Ronald, A.C.A., 1964; 100 Kenwyn Drive, Dollis Hill, London NW2.  
 Upshall, John, A.C.A., 1964; 49 Kingsmead Road, London SW2.  
 Vaisey, Nicholas Harry, A.C.A., 1964; 'Star Croft', Gaia Lane, Lichfield, Staffs.  
 Vandome, Michael John, A.C.A., 1964; 46 Hillcrest Road, Walthamstow, London E17.  
 Vaughan, Peter Thomas, A.C.A., 1964; 3 Birches Close, Epsom Surrey.  
 Veal, Paul Christopher Boynton, A.C.A., 1964; 30 Homestead Road, Chelsfield, Orpington, Kent.  
 Vernon, Roderick William Pomeroy, M.A., A.C.A., 1964; 22 The Keep, Blackheath, London SE3.  
 Vogl, Alan Frank, A.C.A., 1964; 169 Peatree Lane, Welwyn Garden City, Herts.  
 Waite, Graham Ernest George, A.C.A., 1964; 31 Fields Road, Newport, Mon.  
 Wakefield, Cedric, A.C.A., 1964; 13 Slaithwaite Road, Meltham, Huddersfield.  
 Waldman, Neil David, A.C.A., 1964; 153 Nether Street, Finchley, London N12.  
 Walker, Geoffrey Michael, A.C.A., 1964; 24 Manor Avenue, Caterham, Surrey.  
 Waller, Michael Garnet, A.C.A., 1964; c/o Squeen, Ballaugh, IoM.  
 Wallis-Hosken, Romilly St John, A.C.A., 1964; 25 The Holdings, Old Hatfield, Herts.  
 Wappat, Arthur, A.C.A., 1964; 9 Westminster Crescent, Hebburn, Co. Durham.  
 Ward, Gerald Kenneth, A.C.A., 1964; 22 Regent Street, Sherwood Rise, Nottingham.  
 Watkins, (Mrs) Sandra Elizabeth, A.C.A., 1964; with Thorne, Widgey & Co, All Saints Chambers, Eign Street, Hereford.  
 Watson, David Twells, A.C.A., 1964; Coopers, Wellesbourne, Warwick.  
 Watson, Michael Raymond, A.C.A., 1964; 52 Warren Street, Alvaston, Derby.  
 Watson, Neil Bailey, A.C.A., 1964; 29 Springhill Park, Penn, Wolverhampton.  
 Watson, Trevor, A.C.A., 1964; Flat 5, 76 Davenport Avenue, Hessle, East Yorks.  
 Waywell, Richard Brian, A.C.A., 1964; 108 Oswald Road, Chorlton-cum-Hardy, Manchester 21.  
 Weatherby, Anthony Joseph, A.S.A.A., 1964; 49A Wingletye Lane, Hornchurch, Essex.  
 Weaver, David John, A.C.A., 1964; 144 Maybury Road, Woking, Surrey.  
 Webb, James Richard, A.C.A., 1964; 134 Kidmore Road, Caversham, Reading, Berks.  
 Webb, Nicholas Patrick, A.C.A., 1964; 8 Pine Tree Glen, Westbourne, Bournemouth.  
 Webster, John Strachan, A.C.A., 1964; 42 Weymouth Mews, London W1.  
 West, Douglas William, A.C.A., 1964; 45 Minchenden Crescent, Southgate, London N14.  
 West, Stephen Reginald, A.C.A., 1964; 21 Parkthorne Road, Clapham Park, London SW12.  
 Westmacott, Ruscombe Charles, A.C.A., 1964; The Rock Farm, Longhope, Glos.  
 Whale, Anthony, LL.B., A.C.A., 1964; 48 Foxley Lane, Purley, Surrey.  
 Wheatcroft, Christopher, A.C.A., 1964; 43 East Sheen Avenue, London SW14.  
 Wheatley, Anthony Richard Roberts, A.C.A., 1964; 18 Harvey's Lane, Winchcombe, Cheltenham, Glos.  
 Wheeler, David Kenneth Anthony, A.C.A., 1964; 10 Heol Ifor, Whitchurch, Cardiff.  
 Whelan, Michael John, A.C.A., 1964; 9 Ashtree House, Wandsworth, London SW18.  
 Whewell, Roger William, A.C.A., 1964; c/o Flat 130, Lichfield Court, Sheen Road, Richmond, Surrey.  
 White, Anthony Alexander Harris, A.C.A., 1964; Mill Hamlet House, Sidlesham, Chichester, Sussex.  
 White, David Edward, A.C.A., 1964; 18 Hamlet Court, Opal Street, London SE11.  
 Whitelegg, John Roger, A.C.A., 1964; 2 Chassen Road, Bolton.  
 Wickens, Robert, A.C.A., 1964; 265 Upper Elmers End Road, Beckenham, Kent.  
 Widdowson, Kenneth John, A.C.A., 1964; Flat 4, Beaufort House, Beaufort Grove, Bradford 2.  
 Wilde, Geoffrey Spencer, A.C.A., 1964; 15 Grosvenor Avenue, Great Crosby, Liverpool 23.  
 Wilkinson, Anthony Kenyon, A.C.A., 1964; 14 Elswick Avenue, Bramhall, Cheshire.  
 Wilks, William Henry George, A.C.A., 1964; 29 Ebury Street, London SW1.  
 Williams, Colin Victor Kenneth, LL.B., A.C.A., 1964; c/o Cooper & Lines, International Centre, Hamilton, Bermuda.

- Williams, (Miss) Dorothy Alice, A.C.A., 1964; 26 Sulgrave Close, Liverpool 16.
- Williams, Edward Kesteven, A.C.A., 1964; 21 Cherry Tree Road, Sheffield 11.
- Williams, Howard Glyn, A.C.A., 1964; 'Cortina', Highfields, Ashted, Surrey.
- Willott, David Henry, A.C.A., 1964; 37 Station Road, Winchmore Hill, London N21.
- Willoughby, Philip John, A.C.A., 1964; 31 Astons Road, Moor Park, Northwood, Middx.
- Wilshaw, Peter George Heywood, A.C.A., 1964; Abbots Leigh, Washington, Pullborough, Sussex.
- Wilson, Colin, A.C.A., 1964; 11 Wellogate Gardens, off Garton Avenue, Blackpool.
- Wilson, John Warwick, A.C.A., 1964; 27 Longlands Lane, Heysham, Morecombe and Heysham.
- Winburn, Melvyn, A.C.A., 1964; 150 High Moor Crescent, Leeds 17.
- Winslow, George Chapman, A.C.A., 1964; 19 Roxburgh Street, Walton, Liverpool 4.
- Withers, John Noel, A.C.A., 1964; 22 York Road, Leicester.
- Withers, Robin William, A.C.A., 1964; 18 Francis Road, Pirner, Middx.
- Woodall, John Arthur, A.C.A., 1964; 54 Jevington Way, Lee, London SE12.
- Woods, David Robert, A.C.A., 1964; 6 Vale Head, Handforth, Cheshire.
- Woods, Richard Frank, B.A., A.C.A., 1964; 'Old Acres', Crampshaw Lane, Ashted, Surrey.
- Wooten, Dennis Albert, A.C.A., 1964; 23 Clarendon Gardens, Stone, Dartford, Kent.
- Wright, Alan Peter, B.COM., A.C.A., 1964; 1 Archery Field, Warwick.
- Wright, David John, A.C.A., 1964; 40 Cross Street, Oadby, Leicester.
- Wright, Martin David, A.C.A., 1964; 329 Malden Road, New Malden, Surrey.
- Wright, Nicholas Edward Wetherley, A.C.A., 1964; The White House, Codicote, Herts.
- Wright, Robert Valentine Awbery, A.C.A., 1964; 'Costons', Hawks Hill Close, Fetcham, Surrey.
- Yeomans, Geoffrey, A.C.A., 1964; 8 Ashbourne Road, Hazel Grove, Stockport.
- Young, David, A.C.A., 1964; 47 Harley Road, Sheffield 11.
- Young, Peter John, A.C.A., 1964; 30 Banbury Road, Southam, near Leamington, Warwicks.
- Young, Stuart, A.C.A., 1964; 19 Narrowcliff, Newquay, Cornwall.
- Youngman, Colin Michael, A.C.A., 1964; 47 Walmer Road, Lowestoft, Suffolk.
- Youngs, Gordon Albert, A.C.A., 1964; 'Nianti', Church Lane, Great Stukeley, Huntingdon.
- Yuen, Herman Hak Mun, A.C.A., 1964; with Peat, Marwick, Mitchell & Co, 11 Ironmonger Lane, London EC2.
- Yung, Kin Chan Sae, B.COM., A.C.A., 1964; 30 Teignmouth Road, London NW2.
- Dyson, Melvyn Paul, A.C.A., 1962; Lishman, Sidwell & Co, Park Chambers, 21 North Park Road, Harrogate, and at Leeds.
- Goss, Bryan John, A.C.A., 1956; 19 Primrose Lane, Rhos, Pontardawe, Swansea.
- Hakim, Peter Graham, A.C.A., 1962; Clements, Hakim, Darr & Co and Clements, Hakim, George & Co, 36 Seymour Street, Marble Arch, London W1, and at Epsom; also at Woodford, Clements, Hakim, Darr & Co.
- Hemmings, John James, A.C.A., 1963; 33 Ardbeg Road, Herne Hill, London SE24.
- Hewitt, Peter John, A.C.A., 1955; Arthur G. Mortimer & Co, 113 Hoe Street, Walthamstow, London E17, and at Cuffley, Herts.
- Holden, Graham Owen, A.C.A., 1961; Payne & Co, Barclays Bank Chambers, South Road, Smethwick 41, Staffs.
- Hurley, Edmund Adrian, A.C.A., 1961; 134 Wigton Road, Carlisle.
- Mann, Sidney Arthur, F.C.A., 1957; S. Mann & Co, Bank Chambers, 232-238 Bishopsgate, London EC2.
- Maxwell-Walton, John David, A.C.A., 1962; Trayler, Walton & Co, Sea Lane Chambers, 11 Sea Lane, Ferring, Sussex.
- Mitchell, Victor James, A.C.A., 1962; 63 Clewer Park, Windsor.
- Murray, Brian Alexander, A.C.A., 1961; \*Wheeler & Murray, 402 Heathway, Dagenham, Essex.
- Pearce, Thomas, F.C.A., 1916; Cranham, Loudwater Lane, Rickmansworth, Herts.
- Roberts, Paul, A.C.A., 1961; Dunn & Ellis, Old Custom House, Portmadoc, North Wales.
- Robinson, Gerald Norman, A.C.A., 1963; 5 Ty-Mawe Close, Rumney, Cardiff.
- Rodgers, Benjamin, B.COM., F.C.A., 1937; 55 Wellington Street, Ripley, Derbyshire.
- Rose, Samuel Anthony, A.C.A., 1962; S. A. Rose & Co, 5 Oakfield, Prestwich, Manchester.
- Ross, Lionel Jack, F.C.A., 1951; 14 Hereford Gardens, Ilford, Essex.
- Sanders, John Michael, A.C.A., 1960; †Jas Williamson & Co, 2 Orley Court, Greenford Road, Harrow, Middx.
- Sanderson, Bryan, A.C.A., 1958; B. de V. Hardcastle, Burton & Co, 166 Northwood Way, Northwood, Middx, and at Birchington and London.
- Schoon, Peter James, A.C.A., 1962; Davies & Crane, 5 Winckley Street, Preston.
- Sela, Owen Thomas Kelaart, B.SC.(ECON.), A.C.A., 1963; Callis, Felton & Co, 38 Russell Square, London WC2.
- Shinn, Douglas Martin, A.C.A., 1958; \*Stephenson, Smart & Co, 26 King Street, King's Lynn, and at Hunstanton.
- Slater, Geoffrey Robert, A.C.A., 1960; \*Maclean, Slater & Co, 18 Waterloo Street, Oldham.
- Smith, (Mrs) Sheila, A.C.A., 1959; 38 Largewood Avenue, Tolworth, Surbiton, Surrey.
- Stephenson, Harry Douglas, A.C.A., 1956; 3 Highmoor, Morpeth, Northumberland.
- Tiptaft, David Howard Palmer, A.C.A., 1962; Tiptaft, Smith & Goodall, 1 Cliff Street, Mexborough, and at Goldthorpe and Wombwell.
- Townend, David James, A.C.A., 1963; Harcourt, Picken & Co, 13 Frederick Road, Edgbaston, Birmingham 15.
- Weare, Clive Edward, A.C.A., 1962; 61 Benedict Street, Glastonbury, Somerset.

### Fellowship

The Council acceded to applications from four associates to become fellows under clause 6 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

- Barnard, (Miss) Rita Blanche, A.C.A., 1962; W. A. Barnard & Co, 229 West Street, Fareham, Hants.
- Belshaw, Gordon Richard, B.SC.(ECON.), A.C.A., 1962; 8 Albert Road, Eaglescliffe, Stockton-on-Tees.
- Bingham, David Ernest, A.C.A., 1958; Pannell Fitzpatrick, Graham & Crewdon, 31 Hill Street, St Helier, Jersey.
- Calloway, Norman Keith, A.C.A., 1955; 52 Selcroft Road, Purley, Surrey.
- Canfield, George Edward, F.S.A.A., 1948; 21 Widney Lane, Solihull, Warwicks.
- Chait, Stuart Alan, B.A.(ECON.), A.C.A., 1961; Stuart Chait & Co, 60 Clarke Grove Road, Sheffield 10.
- Cornelius, Donald Ernest Popham, F.C.A., 1939; 101A High Street, Bedford.
- Dickinson, Stephen, B.A., A.C.A., 1963; Roadtown, Tortola, British Virgin Islands, W.I.
- Duncan, Kenneth Hugh, F.C.A., 1932; \*A. C. Curry & Co, 13 Grey Street, Newcastle upon Tyne 1.

### Admission to Membership under the Scheme of Intergration

The Council acceded to one application for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

### Re-admission to Membership

One application under clause 23 of the supplemental Royal Charter was refused.

It was reported to the Council that the following re-admission, made at the Council meeting on February 5th, 1964, subject to payment of the amount required, had become effective:

- Scott, Ronald Charles Stuart, A.C.A., 1937; with Andrew W. Barr & Co, Bridgeford House, 9 Clarges Street, London W1.

### Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Busch, Carl Thomas to Busch, Charles Thomas.  
Fraser, George Gerald Rae to Rae-Fraser, George Gerald.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Beesley, Bertram, F.C.A., *aSI*936; 102 Darlington Street East, Wigan.  
Hyam, Cyril Ellis, F.C.A., *aI*925; 116 Slewins Lane, Hornchurch, Romford, Essex.  
Spry, Henry Ernest, C.B.E., B.A., F.C.A., *aI*926; Winkfield Place, Winkfield, Windsor, Berks.  
Webster, Patrick Trevor, F.C.A., *aI*921; 88 Felhampton Road, New Eltham, London SE9.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr Maurice Ackerman, A.C.A., Milan.  
,, Cecil Nelson Armitage, F.C.A., Eaglescliffe.  
,, Henry James Barnes, F.C.A., Surbiton.  
,, Reginald Charles Bellamy, F.C.A., Grimsby.  
,, William George Biggs, F.C.A., Newport, Mon.

Mr Ralph Chislett, F.C.A., Ripon.  
,, Edward Geoffrey Clarke, F.C.A., Nottingham.  
,, Ernest Charles Clay, F.S.A.A., Sutton, Surrey.  
,, Sydney Clough, F.S.A.A., Bolton.  
,, Harold Philip Tull Copper, F.C.A., Bournemouth.  
,, Donald Cousins, B.COM., F.C.A., Solihull.  
,, Samuel Frank Cuffe, F.C.A., New Barnet.  
,, James Alfred Dale, F.C.A., Blackpool.  
,, Eric Ford Dickinson, F.C.A., Poulton-le-Fylde.  
,, Kenneth Allan Flatto, A.C.A., London.  
,, Philip Colin Gee, F.C.A., Kegworth.  
,, Arnold Yarworth Green, F.C.A., London.  
,, Frank Ellis Green, F.C.A., Bradford.  
,, William Lidford Hartley, F.C.A., St Leonards-on-Sea.  
,, Albert Edward Hemming, F.S.A.A., Lowestoft.  
,, Mirza Mohammad Hussain, F.C.A., Dacca.  
,, William George Masterman Jackson, M.A., F.C.A., Sutton, Surrey.  
,, William Douglas Kaneen, F.C.A., La Salle, P.Q., Canada.  
,, Albert Whitham Kitching, F.C.A., Epsom.  
,, Herbert Frederick Metcalfe, F.C.A., Rhyl.  
,, Arthur Neville Mills, F.C.A., Matlock.  
,, Albert John Pritchett, F.C.A., Lichfield.  
,, George Harry Smith, F.C.A., Exmouth.  
,, William Cecil Sneath, F.C.A., Hove.  
,, John Robinson Stephens, F.C.A., Chislehurst.  
,, Oliver Swainston, F.C.A., London.  
,, William Norman Tonkinson, M.C., F.C.A., Walton-on-Thames.  
,, Neville Henry Tune, A.C.A., London.  
,, Oliver Turton, T.D., F.C.A., Kisumu, Kenya.  
,, Benjamin Weston Waters, D.S.C., F.C.A., London.

## PRESENTATION OF PRIZES

In the Oak Hall at Moorgate Place on Tuesday, April 7th, the President presented prizes and certificates of merit to the successful candidates in the November examinations who were able to attend. Relatives and friends of prize-winners were invited to the ceremony which was followed by tea.

In the course of his address, Mr Winter said:

'Ladies and gentlemen, my first duty is to extend a very warm welcome to students, with your parents and friends, assembled here this afternoon. I want to congratulate you on passing the examinations last year and having reached the high degree of competence which your presence here today signifies, in obtaining prizes and certificates of merit. Passing these examinations marks a stepping-stone in your career. Those of you who have passed the Final examination are entitled to feel satisfied that a long period of work is over, but I am sure that you will realize that you are really just on the threshold of your career in accountancy. You have still a great amount to learn, both in theory and in practice, before you can really reach the plums which I am sure will be available to you in our profession.

'We have entered a most exciting period, I think, in the history of our profession. There are great opportunities for development of new techniques in accounting for management as well as in the basic work in the practising office on auditing and general financial accounting. In practice today a chartered accountant is not just an auditor. He is often a general financial adviser whose recommendations may make the difference between survival and extinction in a business and whose advice may be disregarded at one's peril.

'We at this Institute are very conscious of the change which is taking place in the profession, and to provide an incentive to the younger members - and I am particularly talking to you who have recently qualified -

to study in this field we have announced our intention to introduce a new examination to be taken by members in the early years after qualification. Successful candidates will be awarded a certificate in management information so that they are able to show, if applying for an appointment in industry, that they have reached an additional standard in management accounting. Later on, for those of you who go into industry, we also plan, in agreement with the other accountancy bodies, to introduce a joint diploma in management accounting services. That will be at a very much advanced level and will require a number of years practical experience in industry.

'I have talked about the period which we are entering into and I would refer in particular to the field of computers. You may think that these are only used by very large firms but before you have finished your careers they will be much more in general use. I would commend you to think about them and later to take part in courses which the Institute is shortly going to introduce in electronic data processing.

'After the prizes are presented we want you to look round this building just for a short time. It may interest you to know that very shortly we plan to build a new Institute. This building was put up in 1893 by our grandfathers when the membership was only about two thousand. There was an extension added in 1930 and membership was then 10,000. We are now about thirty-eight thousand and I think I am right in saying that there are some fourteen thousand articled clerks in the pipe-line - it may well be that by 1970 we shall have a membership of over fifty thousand. We must have adequate accommodation, both for members and for our staff. We are producing a great deal of technical information and when you are admitted you will receive more; we must have adequate facilities for our committees to work and all who are concerned with

that side of our activities. In a few years time when you come back to Moorgate Place you will see a fine modern building worthy of this great Institute.

'That is all I have to say. I am delighted to have the opportunity of meeting you, and your parents and friends, and welcome you to what is really our home.'

## FINDINGS AND DECISIONS OF THE DISCIPLINARY COMMITTEE

*Findings and Decisions of the Disciplinary Committee of the Council of the Institute at hearings held on March 4th, 1964*

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that Roderick Anthony Walker, A.C.A., was at the Magistrates Court sitting at Romsey on November 28th, 1963, convicted of the offence of indecent assault on a girl aged 7 years and was sentenced to six months' imprisonment, so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against Roderick Anthony Walker, A.C.A., had been proved and the Committee ordered that Roderick Anthony Walker, A.C.A., of Wilton Crescent, Southampton, be suspended from membership of the Institute for a period of twelve months.

A formal complaint was preferred by the Investigation Committee of the Council of the Institute to the Disciplinary Committee of the Council that John Leonard Sanderson, F.C.A., was at the Assizes held at

Hertford on December 17th, 1963, convicted on indictment for that he (a) on October 21st, 1961, in the County of Suffolk, with intent to defraud, caused a company to deliver to a limited finance company a valuable security, namely, a cheque for £2,038 15s, by virtue of a forged instrument, namely, a hire-purchase proposal form, knowing the same to be forged; (b) on October 21st, 1961, in the County of Suffolk, with intent to defraud, caused a company to deliver to a limited finance company a valuable security, namely, a cheque for £2,038 15s, by false pretences, and was sentenced to be imprisoned for two years (concurrent), so as to render himself liable to exclusion or suspension from membership of the Institute. The Committee found that the formal complaint against John Leonard Sanderson, F.C.A., had been proved and the Committee ordered that John Leonard Sanderson, F.C.A., of Livermere Road, Great Barden, Bury St Edmunds, Suffolk, be excluded from membership of the Institute.

## Factors Affecting Management Decisions COST ACCOUNTANTS' RESIDENTIAL COURSE

DURING the week-end of April 3rd to 5th, approximately ninety-five members of The Institute of Cost and Works Accountants attended a residential course on the theme 'Factors affecting management decisions', at Oriel College, Oxford.

After the opening of the course by Mr S. W. Turner, A.C.W.A., A.A.C.C.A., chairman of the London and SE. England Area Co-ordinating Committee of the Institute, and an introductory talk 'Which are the important decisions?' given by Dr J. M. S. Risk, B.COM., C.A., F.C.W.A., F.C.I.S., the members of the course heard and discussed papers submitted by five members of the Institute.

In a paper entitled 'The implications of taxation on management decisions', Mr H. P. Southall, F.C.A., F.C.W.A., with the aid of worked examples, drew attention to the effect of tax allowances, notably investment allowances, in reducing the outlay on new buildings and plant. Other major features of his paper were explanations of the effects of taxation on the cost of raising share or loan capital, and upon decisions regarding the organizational structure within a group of companies.

In two contrasting papers on 'Marginal and absorption costs', Mr J. H. Whicheloe, F.C.W.A., A.A.C.C.A., A.C.I.S., and Mr E. B. Bishop, F.C.W.A., F.C.I.S., showed that marginal costs were in many cases more relevant than total costs, but rigid adherence to only one of these two approaches would be unsatisfactory. There was a need for a thorough understanding of the

ways in which costs were likely to behave in differing circumstances.

Mr J. A. Scott, C.A., F.C.W.A., presented a paper on 'Assessment of profitability of capital expenditure projects' in which he explained in detail the 'discounted cash-flow' technique. In discussing the question of whether to lease or buy, Mr Scott stressed the effect of investment allowances but pointed out that a decision to lease would be justified if some other opportunity existed to invest at a high rate of return the funds thereby released.

The last of the technical papers was given by Mr G. R. Coe, F.C.W.A., M.B.I.M. In his paper entitled 'Factors affecting the fixing of selling prices', Mr Coe discussed the problems facing the men who, on behalf of their companies, had the responsibility in a wide variety of circumstances of deciding the selling prices to be quoted to customers.

The course was also addressed by Mr J. P. Wilson, a Vice-President of the Institute, on the subject 'Money isn't everything'. Mr Wilson analysed the factors, sometimes social or political in their nature, which led to decisions where financial considerations were subordinated to other influences.

The course was arranged by the London and SE. England Area Co-ordinating Committee of the Institute and organized by a subcommittee consisting of Messrs G. R. Coe, S. J. Careless, B. J. Foulks, S. G. H. Freeman (*Registrar*), E. V. Powell, J. M. S. Risk, W. L. Spalding (*Chairman*) and S. W. Turner.



# LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

*The twenty-second annual general meeting of the London and District Society of Chartered Accountants will be held on Thursday, May 7th, 1964, in the Oak Hall at the Institute, Moorgate Place, London EC2, at 6 p.m. The report of the Committee for the year ended March 31st, 1964, and the accounts for the year to December 31st, 1963, are reproduced below.*

## Membership

The membership of the Society on March 31st, 1964, was 9,958 against 6,886 last year.

The large increase in the membership of the Society was a direct result of the Institute circular sent in December to all members inviting those who were not already members of a district society to join one.

The area of the Society includes the counties of London, Middlesex, Hertfordshire, Bedfordshire, Buckinghamshire, Berkshire and Surrey, parts of Essex, Kent and Oxfordshire and the Channel Islands.

## Programme

Details of the activities of the Society are given at the end of this report.

The committee desires to express its appreciation and thanks to all those who have addressed meetings of the Society.

The committee would welcome suggestions for next season.

## Activities of Sub-Committees

### (a) Regional Taxation and Research

The Regional Taxation and Research Committee, under the chairmanship of Mr H. Gordon Smith, has given consideration during the year to current legislation and auditing, taxation and accountancy problems. These matters were either referred by the main Taxation and Research Committee or raised by members.

### (b) Students' Societies

Liaison has been maintained with the Chartered Accountant Students' Societies of London and Oxford through representatives of the respective committees, by the attendance of officers of the District Society at the Students' Societies' social functions and by arranging meetings in London for those successful in the May and November Final examinations.

In August 1963 the Council requested the Society to examine the structure, constitution, activities and finances of the Chartered Accountant Students' Society of London. This examination is being carried out and an interim report was submitted to the Institute on January 2nd, 1964.

### (c) Recruitment

Contact with schools was maintained during the year. A cocktail party was arranged for principals, careers advisors and youth employment officers in February 1964. The guests were addressed by Mr N. Cassleton Elliott and were able to question members and officials of the Institute.

Members of the committee and other members of the Society have attended various careers conventions and exhibitions arranged by youth employment officers and schools and have advised school-leavers and their parents on careers in accountancy. The committee is grateful to those who have given up time to visit schools.

### (d) Advice to Members and Articled Clerks

A number of applications for advice were dealt with during the year by consultation with members of the committee.

### (e) National Productivity Year

Support was given to National Productivity Year by finding members for each of the twenty-one local committees and giving them such assistance as they required, mostly by finding speakers for them.

### (f) Groups

A meeting of representatives of the branch and groups with members of the District Society's Committee was held during the year at which matters of mutual interest were discussed. Throughout the year members of the committee have visited the various groups.

The considerable increase in membership has accentuated the difficulty of serving the needs of members in places outside the immediate vicinity of London. The possibility of forming more groups is being explored, particularly in Chelmsford, Croydon, Guildford, Harrow and Sevenoaks.

Members willing to take part in the formation of these new groups are asked to communicate with the Secretary.

## Interviewing Prospective Principals

With the introduction of bye-law 48, it has become necessary to arrange interviews for prospective principals at regular intervals throughout the year. The Council has appointed members to serve in this capacity and has delegated to the Society the formation of panels to conduct these interviews. These panels then report direct to the Articled Clerks Committee of the Council.

## Council Membership

The committee considered the names of the London members retiring by rotation from the Council at the 1964 Annual General Meeting and decided not to submit any other nominations.

## Committee Membership Nominated Members

The representatives of the Council of the Institute are Messrs G. R. Appleyard, J. H. Mann and J. D. Russell.

The Chartered Accountant Students' Society of London has been represented by Mr W. K. Wells and the Beds, Bucks and Herts Branch by Mr E. J. Frary.

## Vacancies on the Committee

### In practice - Four vacancies

Messrs N. Cassleton Elliott, D. Garrett, D. S. Morpeth and G. C. Peat retire in accordance with rule 7 and, being eligible and willing to serve, are deemed to be nominated for re-election.

### Employed in the service of a practising accountant - Two vacancies

Messrs K. A. Sherwood and W. G. Underwood retire in accordance with rule 18 and, being eligible and willing to serve, are deemed to be nominated for re-election.

*Not in either of the foregoing categories - Two vacancies*  
Messrs D. Napper and D. C. Urry retire in accordance with rule 7 and, being eligible and willing to serve, are deemed to be nominated for re-election.

## Finance

The audited accounts for the year ended December 31st, 1963, are attached.

The larger grant from the Institute has been necessitated by the increased activities of the Society and the appointment of an assistant secretary. The increase of £541 in printing and stationery etc. was due mainly to additional circulars, a general increase in printing and postage costs and the hiring of larger halls. This year conferences and social events have shown a net deficit of £37 against a surplus of £144 in 1962.



The net result is a surplus for the year of £177, increasing the accumulated fund to £618.

Messrs Sydenham, Snowden, Nicholson & Co, have kindly agreed to continue to act as honorary auditors.

### Programme 1963-64

#### (a) Evening Meetings

The following addresses were given, with refreshments available afterwards:

December 4th, 1963. 'The 1963 Finance Act', by Mr E. C. Meade, F.C.A.

January 23rd, 1964. 'Using the Computer Service Bureau', by Mr E. Goode, I.C.T., and Mr K. T. Woodard, I.B.M.

#### (b) Luncheons

Three luncheons were held at the Connaught Rooms, Great Queen Street, London WC2, and short addresses were given by the following speakers:

November 12th, 1963. Mr Philip Shirley, British Railways Board.

January 29th, 1964. Sir George Bolton, K.C.M.G., Chairman of the Bank of London and South America Ltd.

March 17th, 1964. Sir Thomas Robson, M.B.E., M.A., F.C.A., Past President of The Institute of Chartered Accountants in England and Wales and Vice-President, Union Européenne des Experts Comptables, Economiques et Financiers.

An invitation to the evening meetings and luncheons was extended to Scottish and Irish Chartered Accountants in London.

#### (c) Dinner and Dance

A Dinner and Dance was held at Grosvenor House, Park Lane, on April 3rd, 1964.

#### (d) Dinner to the President

Mr R. P. Winter, C.B.E., M.C., T.D., D.L., as President of the Institute, together with the Vice-President and a joint Secretary of the Institute, Presidents of the other District Societies and the Chairman of the Beds, Bucks and Herts Branch were entertained to dinner at Tallow Chandlers Hall on November 6th, 1963.

#### (e) Annual General Meeting

Refreshments were available after the Annual General Meeting in 1963 and an opportunity was given to members to meet London members of the Council, members of the Committee and officials of the Institute.

#### (f) Residential Conferences

Conference on 'The Accountant's Concern with Marketing'

A residential conference was held at the Grand Hotel, Eastbourne, November 21st-23rd, 1963, with Mr W. S. Hayes in the chair. The conference was opened by Mr W. G. Densem, Vice-President of the Institute. Papers were read by Mr F. Tapling for Mr R. Tarrant, McDougalls Ltd, who was unable to be present, and Mr F. C. Roberts, Beecham Foods Ltd. Between and after papers a marketing decisions game was played, using a computer in London, which created keen competition between the six teams of each group. A special Pullman train took members to Eastbourne and back to Holborn Viaduct Station on the Saturday for completion of the game at Remington House. There was an attendance of 116.

#### Conference on Taxation

A residential conference on the subject of taxation was held at New College, Oxford, April 9th-11th, 1964, with Mr J. A. Allen in the chair.

### District Societies and the Council

A meeting of representatives of District Societies and members of the Council, with the President of the Institute in the chair, was held at the Institute on November 7th, 1963, when an exchange of views took place on matters of general interest to members of the various societies.

### Representation on Other Bodies

Appointments of representatives to advisory committees of local colleges were confirmed and they have been continuing their useful work.

### Benevolent Work

At the request of the Chartered Accountants' Benevolent Association, members made visits to recipients of benefit.

It would be helpful if members would report any cases believed to deserve help and offer to act as visitors.

### Beds, Bucks and Herts Branch

Any member of the Society interested in the activities of this branch which includes discussion groups at Luton and Watford may join by applying to the Honorary Secretary: R. E. Wright, 14 Church Square, Leighton Buzzard, Beds.

### District Groups

Members of the committee visited the district groups which have held meetings for discussion and lectures and also social events.

Their Honorary Secretaries are:

#### Jersey Group

C. G. Pile, Bank Chambers, Mulcaster Street, Jersey.

#### Oxford and Area Group

G. A. Paine, 30 St Giles, Oxford.

#### Reading and District Group

W. D. W. Hitchins, 100 Warborough Avenue, Tilehurst, Reading.

#### Southend Group

A. A. Stewart, c/o Southend Waterworks Co, 13 Cambridge Road, Southend-on-Sea.

### Discussion Groups in London

The discussion groups in London have held meetings during most months on subjects of topical interest, introduced either by members or by guest speakers. The meetings are informal, and after short opening remarks, all members are given the opportunity of contributing to the discussion.

Two new discussion groups have been formed. The Bromley and South East London Group to discuss subjects of general interest and the Data Processing Group to keep abreast of the increasing use of mechanical and electronic equipment for accounting purposes.

New members are always welcome and those interested in joining any of the groups mentioned below should write to the Honorary Secretary of that Group.

#### City Discussion Group

Meets at The White Swan, Coleman Street, London EC2, at 6 for 6.30 p.m. on the second Wednesday of each month, October to May.

Hon. Secretary: J. Smurthwaite, Warwick House, Warwick Court, Gray's Inn, London WC1.

#### North London Discussion Group

Meets at the Russell Hotel, Russell Square, London WC1, at 6.30 p.m. on the third Wednesday of each month, October to May.

Hon. Secretary: P. D. Knox, Somerset Cottage, Duxhurst, Reigate, Surrey.

#### South West London Discussion Group

Meets at The Kingston Hotel, Wood Street, Kingston upon Thames, at 6.45 p.m. on the first Monday of each month, October to May.

Hon. Secretary: J. W. Smith, B.Sc.(ECON.), 8 Kew Road, Richmond, Surrey.

#### Bromley and South East London Group

Meets at the Greyhound, Bromley High Street, at 8 p.m. once a month on Monday, Tuesday and Wednesday successively, October to March.

Hon. Secretary: L. C. Hillier, 196 High Street, Bromley, Kent.

#### Taxation Discussion Group

Meets at The Cheshire Cheese, 10 Surrey Street, London

WC2 (entrance in Howard Street), at 6 for 6.15 p.m. on the first Wednesday of each month, October to June.

Hon. Secretary: W. J. Bailey, 54 Old Broad Street, London EC2.

#### *Taxation Study Group*

Meets at the offices of Messrs Viney, Price & Goodyear, Empire House, St Martin's-le-Grand, London EC1, at 6 p.m. on the last Tuesday of each month.

Hon. Secretary: F. J. Williams, 6 Eldon Street, London EC2.

#### *Management Discussion Group*

Meets at the King's Arms (upstairs), Buckingham Palace Road, London SW1, at 6 p.m. on the last Wednesday of each month, September to April (except December).

Hon. Secretary: K. Hoare, 5 London Wall Buildings, London EC2.

#### *Data Processing Group*

Meets at Ye Olde Dr Butler's Head, Mason's Avenue, London EC2, at 6 p.m.

Meetings assuming no previous experience of electronic computers on the subject to be discussed are held on the second Tuesday of each month.

Meetings assuming some experience of electronic computers and a general knowledge of the particular application to be discussed are held on the third Monday of each month.

Hon. Secretary: J. P. Hough, 4 Copthall Avenue, London EC2.

*For and on behalf of the Committee,*

N. CASSLETON ELLIOTT,  
*Chairman.*

*April 2nd, 1964.*

### **Income and Expenditure Account for the year ended December 31st, 1963**

	1963		1962	
	£	£	£	£
<b>INCOME</b>				
Grants from Institute .. .. .		5,250		3,360
Schools recruitment grant brought forward .. .. .		96		—
Net surplus on conferences and social events .. .. .		—		144
Royalties .. .. .		2		2
		<u>5,348</u>		<u>3,506</u>
<b>DEDUCT EXPENDITURE</b>				
Administration Expenses:				
Office accommodation and general secretarial services ..	3,250		2,100	
Printing, stationery, postage, telephone and hire of halls	1,492		978	
		<u>4,742</u>		<u>3,078</u>
Net deficit on conference and social events .. .. .	37		—	
Small Practitioner Inquiry .. .. .	—		125	
Schools recruitment meetings .. .. .	105		304	
Travelling and entertaining .. .. .	124		178	
Grants to branch and groups .. .. .	162		105	
Taxation .. .. .	1		1	
		<u>429</u>		<u>713</u>
<b>EXCESS OF INCOME OVER EXPENDITURE TRANSFERRED TO</b>		<u>5,171</u>		<u>3,791</u>
<b>ACCUMULATED FUND .. .. .</b>		<u>£177</u>		<u>(Deficit) £285</u>

### **Balance Sheet December 31st, 1963**

	1963	1962
	£	£
<b>ACCUMULATED FUND</b>		
Balance at beginning of year .. .. .	441	726
Add: Excess of Income over Expenditure for the year to date .. .. .	177	(Deduct) 285
	<u>£618</u>	<u>£441</u>
<b>REPRESENTED BY</b>		
Bank balances .. .. .	2,200	1,703
Debtors and prepayments .. .. .	—	286
	<u>2,200</u>	<u>1,989</u>
Less: Creditors and amounts received in advance .. .. .	1,582	1,548
	<u>£618</u>	<u>£441</u>

N. CASSLETON ELLIOTT, *Chairman*  
J. WILBUR G. COCKE, *Treasurer*

#### *Report to the Members of the London and District Society of Chartered Accountants*

We have examined the above Balance Sheet and Income and Expenditure Account. In our opinion they present a true and fair view respectively of the state of the Society's affairs as at December 31st, 1963, and of its income and expenditure for the year ended on that date.

SYDENHAM, SNOWDEN, NICHOLSON & CO.  
*Chartered Accountants.*  
*Honorary Auditors.*

27 Martin Lane,  
Cannon Street,  
London EC4.

March 20th, 1964.

# London Chartered Accountants' Taxation Conference

NEARLY one hundred and fifty members of the London and District Society of Chartered Accountants attended the Society's residential taxation conference held at New College, Oxford, from April 9th to 11th, under the chairmanship of Mr J. A. Allen, F.C.A.

Sir William Carrington, F.C.A., a member of the Council of the Institute, opened the course and his introductory address was followed by a paper by Mr T. A. Hamilton Baynes, M.A., F.C.A., also a member of the Council, on 'Estate duty - valuation of minority interests'. The speaker considered in detail the investigation by the valuer, referring to the need to inquire into the company's management, its history and the industry in which it was engaged. He commented also on the importance of the examination of the basis of asset valuation, the liquid position and the capital gearing.

The second paper was presented by Mr J. D. Wells, F.C.A., on the subject 'Domicile and residence of individuals and companies'. He outlined the theoretic concepts and statutory definitions and went on to discuss some practical consequences with regard to United Kingdom taxation.

The third paper was given on Friday morning, April 10th, by Mr J. S. Heaton, F.C.A., his subject being 'Administration of estates'. Mr Heaton gave an informative address on this complicated subject, ranging over such matters as questions of apportionment, income tax during the period of administration, annuities,

discretionary trusts, and surtax directions in relation to unadministered estates and trusts.

On Friday afternoon, Professor G. S. A. Wheatcroft, M.A., C.P., F.T.I.I., F.B.I.M., spoke on 'Practical tax reforms'. Professor Wheatcroft referred to the two classifications of tax reform - the reform designed to alter the yield or general incidence of tax, and reforms of a technical character designed to make a particular tax more effective, less open to 'loop-holes', and more intelligible or easier to administer. Under the first head, he compared indirect and direct taxation on individuals and direct taxation on companies. He urged the consolidation of income tax and profits tax law so that all future alterations would be in the form of amendments to a consolidated Act which could be reprinted each year as amended.

The final paper, entitled 'Taxation of income from property', was presented on Saturday morning by Mr K. H. Oates, F.C.A. Mr Oates, in the course of his paper, referred to the basis of assessment under Case VIII, premiums and disguised premiums, allowable deductions, and Inland Revenue concessions.

All the papers were followed by group discussions - the course was divided into twelve groups for the purpose - and time was also set aside for discussion periods on matters of general interest in connection with taxation. Two overseas accountants attended as guests of the Society: they were Mr P. C. Maan, of Amsterdam, and Mr V. Spang-Thomsen, of Copenhagen.



Some personalities at the Conference. Front row (left to right): Messrs E. K. Wright, K. P. Smith, Sir William Carrington, Mr J. A. Allen (*Chairman of the Course*), Miss Margaret Fox, Messrs N. Cassleton Elliott (*Chairman of the Society*), K. H. Oates, J. W. G. Cocke (*Secretary of the Society*).

Rear (left to right): Professor G. S. A. Wheatcroft, Messrs V. Spang-Thomsen, P. C. Maan, D. C. Morgan, A. P. Hughes, J. D. Wells, H. Gordon Smith, V. A. S. Goddard, D. R. Huntingford, D. W. Gibson, E. E. P. Maltby, T. A. Hamilton Baynes, L. F. Durman, A. Lersé, P. G. H. Evans, G. H. Vieler, A. G. Warne.

## New Office Equipment

### MANCHESTER BUSINESS EFFICIENCY EXHIBITION

OVER £4 million worth of business equipment will be on display next week at the Manchester Business Efficiency Exhibition in the City Hall. The exhibition will be open from 10 a.m. to 6 p.m. on Monday, Tuesday and Friday; from 10 a.m. to 8 p.m. on Wednesday and Thursday, and from 10 a.m. to 4 p.m. on Saturday.

Nearly eighty different companies will be taking part and a cross-section of the many products on show includes computers, office printing and composing machines, calculators, accounting machines, charting and planning boards, dictating equipment, paging systems, copying equipment, telephone-answering machines, closed-circuit television, cash registers, addressing machines and filing systems. Described below are just some of the new products on display. In brackets at the end of each item is the number of the stand on which the equipment can be viewed.

#### For Sterling Invoicing

THE *Siemag Multiquick* from Logabax Ltd calculates directly in sterling, and as well as invoicing it can be used for simple book-keeping, bonus calculation and stock recording work.

The operator sits at an L-shaped desk with a typewriter keyboard for the insertion of alphabetic text. Numerical and function controls are operated by a separate one-hand keyboard to her right. Inputs may consist of up to thirteen digits, products up to fourteen. The machine can be programmed for any invoicing application or other sequence of calculations; program bars carrying steel control pins are inserted behind the typewriter carriage.

Among the functions that can be program controlled are: addition, subtraction, multiplication, balancing in all registers, sub-totals, totals, rounding off, and computing with or without printing. Input errors can be corrected before printing or computing, and new amounts can be inserted while printing is taking place.

Optional extras include: 18 in. or 24 in. front-feed carriages; split platens; the *Siemag-Transform* system for punched tape or card output; and an automatic dating unit.

Price: *Multiquick 5*, with five balancing registers: £2,900.

Logabax Ltd, 21 Buckingham Palace Road, London SW1 (Stand 22).

#### Magnetized Ledger Cards

ON the IBM stand will be the recently-announced 6400 magnetic ledger-accounting machine. The automatically-positioned ledger card has a stripe of magnetic tape on its reverse side; this will hold up to 252 alphabetic or numeric characters of information.

The magnetic stripe reduces the amount of manual entry needed by allowing retrieval of previously stored information.

The range of IBM dictating equipment, including the (RMN) remote microphone network system will be on show. The central recorder in this system can accommodate any number of microphone stations, thereby providing dictation facilities for groups of people who dictate only moderate amounts each day.

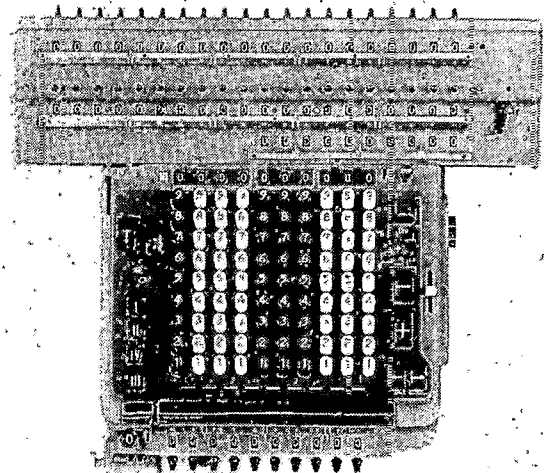
IBM United Kingdom Ltd, 101 Wigmore Street, London W1 (Stand 59).

#### New Automatic Calculator

PROMINENT among the *Madas* calculators will be the new 20 *BTX*. This machine has automatic squaring, engaged by pressing one button, after which the 20 *BTX* will square all figures entered by the use only of the multiplication bar; instantaneous automatic transfer from product to storage register (and vice versa) controlled by one lever; a square rooting feature, which makes accurate extraction of roots a simple operation.

Suitable for commercial use is the new lever-set *Muldico Mentor WSR 160* hand calculator, a developed version of the Tutor machine which is being used to a great extent in education circles.

The *Precisa 169*, with its operating speed of 220 strokes a minute and the *Precisa 162* decimal add-



*Madas 20 BTX Electric Calculator.*

listers will be seen in operation with a removable solenoid pack attached to the standard models. This feature provides a remote control printing device on which a series of readings can be listed or added.

Muldivo Calculating Machine Co Ltd, Dorset House, Salisbury Square, London EC4 (Stand 2).

### Recording Data at Source

FOR a demonstration of sequential data processing, Addressograph-Multigraph's is the stand to visit. The components of the system are an automatic *Graphotype* embossing machine, *Addressograph* variable amount data recorders, a 9500 optical code reader, an output printing station, a *Multilith 2550* offset-litho printing machine and a *Multigraph 671* copy sorter.

The *6760 Graphotype* automatically embosses plastic cards with alpha-numeric and bar-code data from one or two plastic data cards. Furthermore, up to seven digits of variable numeric data can be recorded from lever settings. The information, recorded with the data recorders at widely decentralized points, is then automatically prepared for direct input to a data processing system by the *Class 9500* optical code reader.

This reader and automatic punch reads bar codes from the now printed punched cards and converts the code to standard punched format, in the same card, at a rate of 180 cards a minute. Common group data is simultaneously punched from operator settings; automatic verification and self-checking devices are built in.

Output data from the system is printed on continuous *Multilith* masters ready for reproduction, in any required quantity, on an automated *2550 Multilith*. Attached to the *Multilith* is the *Model 671* sorter which, as the printed copies come off the *Multilith*, sorts them into sets ready for distribution.

Addressograph-Multigraph Ltd, Maylands Avenue, Hemel Hempstead, Herts. (Stand 33)

### Eleven up From Olivetti

THE range of adding-listers and printing calculators available from Olivetti has been increased to eleven with the introduction of the *Electrosumma 22/R*. This has been designed to match the features of the *Model 22* (which costs £79 15s) at a lower price of £69 15s. However, the *22/R* has a smaller capacity £999,999 19s 11d (or with 2d) and £9,999,999 19s 11½d totalling; furthermore is not fitted with an automatic date-printing unit.

The main operational features of the new *Electrosumma 22/R* are: addition and subtraction; multiplication by rapid (195 cycles per minute) repeat addition or subtraction; static memory (an amount can be held on the keyboard through a total or sub-total cycle as required); two-colour printing of all entries and results; non-print control; correction key; and a simplified keyboard.

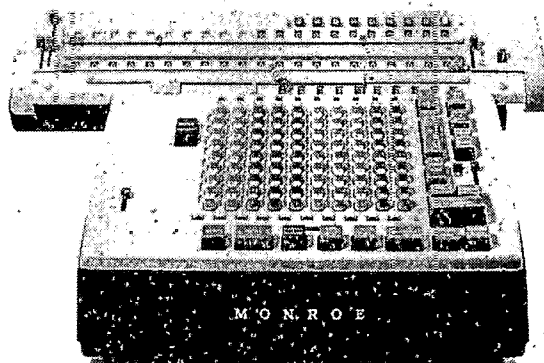
Also on show will be a wide range of the latest Olivetti typewriters (including three different models of electric typewriter), adding-listers and printing calculators, accounting machines and data processing equipment.

British Olivetti Ltd, 30 Berkeley Square, London W1 (Stand 41).

### Mach 1.07

THE new *Monroe-Matic* calculator is claimed to multiply faster than any other printing calculator in the world so it has been given a high-speed title - *Mach 1.07*, (perhaps it also has a built-in machometer). However, we do know that it has a fifteen-digit capacity and dual register so that as individual multiplication totals are being calculated, the machine can accumulate a grand total. Answers are always printed in red - spaced to set them apart from other printed figures.

*IQ-213* is the designation given to another new Monroe calculator on show. It is fitted with a key which can transfer any figure from the keyboard to



Monroe Model IQ-213.

visible memory dials; at the same time the keyboard is cleared to accept other figures. A second key enables the stored figure to be recalled for use in any addition, subtraction, division or multiplication calculation.

Monroe/Sweda, Bush House, Aldwych, London WC2 (Stand 63).

### For a Check on the Food

ONE of the most useful demonstrations on the O.N.C.R. stand at the Business Efficiency Exhibition will be a restaurant Pre-Check system. This is based on the use of a *Class 51* multi-total itemizing cash register. The waitress takes the order on a duplicate requisition/bill form in the usual way and goes to the *Class 51*. Using her own key she itemizes the order, the machine overprinting item values on to each copy of the form. She then goes to the kitchen dispense and before any requisition for food is acceptable to the kitchen it must have the machine-printed list of the values for every item ordered.

The great advantage of using this mechanized system is that when the machine prints item values on the kitchen requisition it is also automatically preparing the bill for the customer, and keeping a record of the value of all items ordered by each waitress.

Four important objectives are:

- (a) Items cannot be forgotten or deliberately left off the bill to the customer as every requisition and bill are identical.
- (b) The value of all food ordered is charged to the waitress *before* it is issued from the kitchen.
- (c) Because it is very simple to check the value of food issued to each waitress at any time,

waitresses can be made fully responsible for all collection of cash from their customers.

- (d) At the end of the day, or shift, each waitress is required to pay in the total amount of cash shown by the individual waitress total feature on the *Class 51* machine.

National Cash Register Co Ltd, 206 Marylebone Road, London NW1 (Stand 31-32).

### For Data Transmission

ON the Friden stand will be seen *Tradan* equipment for transmitting data over the telephone. The equipment has been accepted for both private and public telephone lines.

*Tradan* systems are fully transistorized and can be supplied for transmitting data in one direction only or to provide a two-way flow. A two-way terminal consists of a small unit which fits easily into an office desk. This equipment is connected simply to the terminal block of a standard private telephone. Data for transmission are read from punched paper tape or edge-punched cards. At the transmitting station, these are converted into a signal which is relayed over the telephone line. On receipt, these are converted and are punched on paper tape or edge-punched cards.

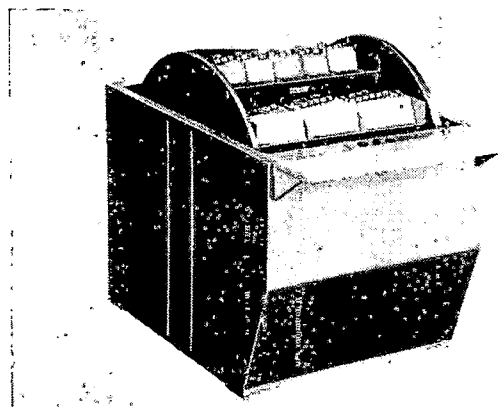
Built-in error detection devices reduce undetected errors to less than one in every million characters transmitted. The *Tradan* system can also be used in conjunction with *Flexowriters*, which allow direct transmission from manual entry on the *Flexowriter* standard typewriter keyboard and automatic alphabetic or numeric print-out at the receiving station.

Friden Ltd, 101 Blackfriars Road, London SE1 (Stand 43).

### Card Finding and Plan Filing

TWO new exhibits on the Chatwood-Milner stand are an index-card filing cabinet and a cabinet for filing plans or drawings.

The *Card-a-Matic A1* is designed rather like the fairground 'Big Wheel' with the card-holding trays suspended like the chairs between two wheels. These are power-operated and their movement is governed by push-button controls. The operator selects the desired tray and it arrives at the selection position by the shortest route so that the necessary card or cards can be processed.



Chatwood-Milner Model A1 Card-a-Matic Filing Machine.

The plan or drawing filing cabinet is claimed to file approximately one thousand two hundred drawings of mixed sizes up to 34 in. by 48 in. Yet the space taken is only 48 in. high by 56 in. wide and 21 in. deep.

Chatwood-Milner Ltd, 58 Holborn Viaduct, London EC1 (Stand 36).

### Remote-control Dictation

THE emphasis on the Aga stand is on the company's remote-control dictation equipment – the *Type 2 Teledictation* system. This can be operated through an existing PAX or PABX, or it can make use of separately wired telephones reserved for dictation purposes. Whichever method is selected, there is remote control of the Agavox machines located in the typing centre.

Features include automatic back-spacing, in which a snatch of dictation is played back to provide a guide to the location of any particular sentence or phrase; the punching of pinholes in the paper index strip on the Agavox to indicate insertions and the length and position of letters on the disc; and a supervisor call facility to enable the dictator to speak to the typing departments.

A *Teledictation* installation can be of any size, and consists of one or more units, each of which can take from one to six remote-controlled Agavox *Model 2* dictating machines. These units are very compact and occupy a floor area of only 16½ in. by 18½ in.

The Agavox *Model 2* dictating machine, which is used in conjunction with the *Teledictation* system is, of course, also available as an individual dual-purpose instrument. It is small enough to go in a briefcase; all controls are on the microphone.

Aga Dictating Machine Co Ltd, 11A West Halkin Street, London SW1 (Stand 55).

### Circular Filing Equipment

FIVE new items are being shown by Archimedes Diehl Machine Co Ltd. They consist of the *Transmatic* desk calculator, the *Teacher* calculator for schools, the *Ordinmatic* automatic collator, the *Collax* 24-station manual collator and the Waller circular filing equipment.

This is claimed to have 40 per cent more files per square foot of space than any other system. A feature is that some eighteen hundred files are to hand without moving from one's chair.

The *Transmatic* printing calculator has only three operating controls to multiply, divide, transfer, store, clear and fix the decimal point and to print the answers on a tally roll. It has an operating speed of 500 counts a minute and incorporates two independent add-listing registers for adding results that have been calculated.

Archimedes Diehl Machine Co Ltd, Chandos House, Buckingham Gate, London SW1 (Stand 39).

### For Opening the Mail

THE *Neopost N.70* letter opener is electrically operated and can open 200-300 letters in a matter of minutes. A simple adjustment allows large or small envelopes to be dealt with silently and neatly by the self-sharpening rotating cutters. A dual-compartment tray for the opened envelopes and their shavings is included in the price of £57; rental is £18 per annum.

Roneo-Neopost Ltd, Lion House, Richmond, Surrey (Stand 16-17).

## EAST ANGLIAN SOCIETY OF CHARTERED ACCOUNTANTS ANNUAL DINNER

'I suppose that Norwich and East Anglia are suddenly about to change. This part of the country is going to be one of the great growth areas of the second half of the twentieth century. The accountants of East Anglia will play an important part in making it so', said Mr A. A. Shenfield, economic director, Federation of British Industries, speaking in Norwich last Friday.

Mr Shenfield - barrister, editor, economist and university lecturer - was proposing the toast of 'The Institute of Chartered Accountants in England and Wales', at the annual dinner of the East Anglian Society of Chartered Accountants which was attended by 200 at the Norwood Rooms, Norwich. Mr G. A. G. Oldfield, F.C.A., President of the Society, was in the chair.

'Almost everyone knows there is need for accountants in these days. The layman recognizes the need, even when he regrets it,' Mr Shenfield stated.

In speaking of the importance of the place of the accountant in modern life, Mr Shenfield said he would suggest that one of the most remarkable things of the last two or three generations had been the importance of the empire that the accountant had carved out for himself.

He went on: 'It is a mistake to think, as many do, that this development in which accountants have forged their way to the centre of industrial affairs is a bad development, it is not.'

The scope for the economist and the accountant was beginning to widen. In the field of training for higher management were the things to which the national resources would be devoted in growing measure. It would be the economist and the accountant who would be at the centre of it. The accountant was playing a great part in a progressive economy.

Mr Shenfield, in conclusion, said it gave him great pleasure to come to a city which once upon a time was one of the three most important cities in England.

### Increased Tempo

Replying to the toast, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of the Institute, said: 'I think I am speaking for all our members when I say how grateful we are to Mr Shenfield for proposing this toast in such an able manner.'

Mr Shenfield, he said, was well qualified to talk about the profession of accountancy. Mr Winter said the scope of the accountant's work had increased in tempo since the war. He stressed the importance of the correct training of students so that they were ready to take their part in the business sphere of today.

What was wanted up and down the country were

sufficient teachers who could teach accountancy in the way required in the profession.

He expressed thanks to the East Anglian Society for their work to further the interests of the profession in the eastern area, referring in particular to Mr G. G. G. Goult, F.C.A., who was a member of the Council of the Institute, and Mr A. S. H. Dicker, M.B.E., F.C.A., a Past President and a former Council member, who still did valuable work as a moderator for the Institute examinations. Mr Dicker was also a member of the Panel of Judges for *The Accountant* Annual Awards which, said Mr Winter, had done so much to encourage improvement in company reports and accounts.

### The Guests

The 'toast of 'The Guests' was proposed by Mr A. J. Barnard, B.A., F.S.A.A., F.I.M.T.A., Vice-President of the East Anglian Society, who said they particularly welcomed Lord Mackintosh who was famous for his work for National Savings and was also Chancellor of the University of East Anglia.

Lord Mackintosh, in reply, said he always had the highest regard for the profession of accountancy and for all those engaged in it. He thanked the members of the Society for all their support for the University of East Anglia. Among the guests present were:

Messrs T. Ashton, F.C.A. (*President, Nottingham Society of Chartered Accountants*); G. L. Aspell, F.C.A. (*President, Leicestershire & Northamptonshire Society of Chartered Accountants*); R. S. Bourne (*H.M. Inspector of Taxes, Norwich 1st District*); J. H. Bradley, F.C.A. (*President, Liverpool Society of Chartered Accountants*); S. E. Cooper (*President, Norfolk & Norwich Branch, Institute of Bankers*); J. V. Eastwood, F.C.A. (*President, Manchester Society of Chartered Accountants*); N. Cassleton Elliott, F.C.A. (*President, London & District Society of Chartered Accountants*); C. A. Evan-Jones, M.B.E. (*Joint Secretary, Institute of Chartered Accountants in England and Wales*); C. G. Heselton, F.C.A. (*President, Hull, East Yorkshire & Lincolnshire Society of Chartered Accountants*); Alderman Leonard Howes (*Lord Mayor of Norwich*); Messrs G. S. Major, F.C.A. (*President, Birmingham & District Society of Chartered Accountants*); G. D. Paterson, F.C.A. (*President, Leeds, Bradford & District Society of Chartered Accountants*); R. D. Pearce, F.C.A. (*President, South Eastern Society of Chartered Accountants*); B. O. L. Prior (*President, Norwich & Norfolk Law Society*); F. E. Proom, F.C.A. (*President, Northern Society of Chartered Accountants*); D. Purcell (*President, Norwich & District Society of Architects*); K. H. Robinson, F.C.A. (*President, South Wales & Monmouthshire Society of Chartered Accountants*); Councillor William J. Roe (*Sheriff of Norwich*); Mr A. E. Webb (*Editor, The Accountant*).

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.



# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BAKER, TODMAN & Co, Chartered Accountants, of Canada House, Norfolk Street, Strand, London WC2, announce that Mr RICHARD JOHN BOWDEN BLAKE, A.C.A., who has been a member of their staff for a number of years, has been admitted into partnership with effect from April 1st, 1964.

MESSRS BLACKBORN, MELLSTROM & Co, Chartered Accountants, of 3 Laurence Pountney Hill, Cannon Street, London EC4, announce that Mr R. D. GARNER, A.C.A., has been appointed a partner of the firm as from April 6th, 1964.

MESSRS THOMAS BOWDEN & GLENTON, Chartered Accountants, announce that Mr H. R. WINTRIP, F.C.A., retired from the practice on April 5th, 1964, having been associated with the firm for over twenty years and a partner for nearly twelve years.

MESSRS LAWRENCE S. FENTON & Co, Chartered Accountants, of Kirkman House, Tottenham Court Road, London W1, announce that they have admitted as a partner Mr NORRIS D. MASTERS, A.C.A., who has been associated with the firm for some time. The practice will be carried on under the style of LAWRENCE FENTON, MASTERS & Co.

MESSRS PARKER GRADWELL & Co, Chartered Accountants, of 64A Bridge Street, Manchester, announce with deep regret the death on March 26th, 1964, of Mr SYDNEY ALFRED GRADWELL, J.P., F.C.A., one of the founders of the firm, who had been a partner for thirty-three years. The practice will be continued under the same style and at the same address by Mr J. C. CHAPMAN, F.C.A., and Mr W. R. JOHNSON, F.C.A.

MESSRS ROGERS, SON & SPENCER, of Bank Chambers, Bluecoat Street, Nottingham, announce that Mr MAURICE CHARLES ROGERS, F.C.A., has retired from the partnership owing to ill health.

MESSRS ARTHUR J. SMITH & Co, Chartered Accountants, of Richmond, Surrey, announce the retirement with effect from March 31st, of their founder and senior partner, Mr ARTHUR J. SMITH, F.C.A., and the admission to partnership of Mr PETER FREDERICK JONES, F.C.A. Mr ARTHUR J. SMITH will continue to be associated with the firm in a consultative capacity.

MESSRS MILLER SMITH & Co, Chartered Accountants, of London W1 and Fleet, announce that as from April 1st, 1964, they have admitted into partnership Mr A. A. DAVIES, F.C.A., and Mr R. A. ARTHUR, F.C.A., who have been senior members of their staff for a number of years.

## Appointments

Mr A. G. Howe, F.C.A., financial director of Steel & Co Ltd, has been appointed deputy managing director of the company.

Mr Leonard S. Payne, F.A.C.C.A., has been appointed finance director of British Road Services Ltd.

Mr A. V. Sherwood, A.A.C.C.A., treasurer of Albright & Wilson Ltd, has been appointed a director of the firm as from April 6th, 1964.

Mr G. C. Sked, C.A., has been appointed secretary of The Rugby Portland Cement Co Ltd, in place of Mr R. J. Morgan, F.C.A., who has been appointed an assistant to the managing directors.

Mr R. Ian Tricker, A.C.A., F.C.W.A., has been appointed to the directing staff of the British Iron & Steel Federation Management College, Ashorne Hill, Warwickshire. Mr F. Bradford, A.A.C.C.A., succeeds him in his former post of financial controller of Unbrako Socket Screw Co Ltd.

## OBITUARY

### Professor Donald Cousins, B.Com., F.C.A.

We have learned with regret of the death on February 20th of Professor Donald Cousins, B.COM., F.C.A., who for the past thirty years was Professor of Accountancy and Administration at Birmingham University.

Admitted to membership of The Institute of Chartered Accountants in England and Wales in 1925, Professor Cousins took an active part in the development of the teaching of accountancy in universities and the profession. The establishment of special degree courses was in no small way the result of his work. He was also the author of a number of publications, including *Book-keeping and Accounts* and *Business Finance and Accounts*.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Luncheon Party

The President of The Institute of Chartered Accountants in England and Wales, Mr Robert P. Winter, and the Vice-President, Mr W. Guy Densem, gave a luncheon party last Wednesday at the Dorchester Hotel. The guests were: Lord Sainsbury, The Hon. Sir Maurice Bridgeman, Sir Harold Mullens, Sir Joseph Latham, Sir Thomas Robson, Mr S. John Pears and Mr C. Evan-Jones.

### Technical Advisory Committee

The one-hundred-and-thirty-third meeting of the Committee was held at the Institute on Thursday, April 9th, at 2 p.m.

*Present:* Mr H. C. Shaw (in the chair). Messrs F. W. Allaway, D. G. Bee, R. P. Brown, J. Cartner, K. P. Chapman, D.S.C., P. G. Craven, T.D., S. M. Durcan, S. Edgcumbe, W. F. Edwards, R. W. Foad, C. R. P. Goodwin, J. S. F. Hill, K. J. Hilton, G. N. Hunter, H. Kirton, T.D., S. Kitchen, E. D. London, A. G. Martin, G. M. Metcalf, D. S. Morpeth, E. J. Newman, R. D. Pearce, J. Perfect, A. L. Pitman, D. W. Pursglove, D. W. Robertson, H. Robinson, B. G. Rose, E. C. Sayers, H. G. Sergeant, C. C. Taylor, G. Thompson, J. G. Vaughan, J. A. P. Whinney, and S. P. Wilkins with Mr G. A. Slator, Acting



Secretary to the Committee and Mr J. M. Renshal, Under-Secretary. Mr B. Manning attended by invitation.

### Name of the Committee

It was reported that at its meeting on April 8th, 1964, the Council decided to change the name of the Taxation and Research Committee to the Technical Advisory Committee, and it was agreed to recommend to the regional committees that a corresponding change should be made in their names.

### Subcommittees

Reports were received in connection with twenty-six matters.

### Future Meetings

Future meetings in 1964 have been arranged for:

Thursday, June 11th, 1964.

„ September 17th, 1964.

„ October 22nd, 1964.

„ December 17th, 1964.

## THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

### Course on Computers

Over one hundred senior local government officers from throughout the country attended a three-day course on computers held last week by The Institute of Municipal Treasurers and Accountants at Queens' College, Cambridge.

The Institute's object in sponsoring the course was to emphasize the application of the use of computers in local government and the effect their use is having on the administration of municipal services. The course comprised four sessions, the first of which was a general introduction to the facilities a computer provides, a description of its main features and an outline of the specific tasks which can be carried out by computer. In the second session, three chief officers – a borough treasurer, a medical officer and an engineer – discussed the contributions computers made to their departments. The third session was concerned with management decisions in connection with a data processing installation, including the major equipment decisions that have to be taken and the problems relating to staff training. The final session dealt with forms of co-operation in using computers, the future of computers in local government, and future administrative and management trends. Speakers included Mr J. M. Bowen, F.S.A.A., F.I.M.T.A., Borough Treasurer, Bournemouth; Colonel S. Maynard Lovell, O.B.E., E.R.D., T.D., M.I.C.E., A.M.M.U.N.E., A.M.T.P.I., F.I.H.E., County Engineer and Surveyor, West Riding of Yorkshire; Dr T. McL. Galloway, F.R.C.P., D.P.H., County Medical Officer of Health, West Sussex, and Mr W. H. Lake, F.I.M.T.A., County Treasurer, Nottingham.

## RESIDENTIAL CONFERENCE AT KEELE UNIVERSITY

### Birmingham and Liverpool Societies' Joint Venture

The Birmingham and Liverpool Societies of Chartered Accountants held a joint week-end conference at Keele University from April 3rd to 5th. Nearly one hundred members from the two societies attended the conference which was organized by the Stoke branch of the Birmingham Society.

Addresses were given by Professor P. L. Smith, M.A., F.C.A., on some developing challenges to the accountancy profession; Professor G. S. A. Wheatcroft, M.A., J.P., on some of the taxation problems of individual and family business clients, and by Mr J. M. W. Bosworth, F.C.A., on the management audit. A guest night dinner was held on April 4th, which was attended by Professor R. J. North on behalf of the University and by Mr D. A. Clarke, LL.B., F.C.A., representing the President of the Institute. A brains trust was held after the dinner when Mr A. B. Snow, F.C.A., presided as question master over a panel comprising Mr D. A. Clarke, Professor G. S. A. Wheatcroft, Mr J. M. W. Bosworth and Mr C. J. Peyton.

This event, the first in which the two societies have joined together, was greatly enjoyed by all those who took part and it is hoped to hold a further similar conference, possibly in the spring of 1965.

## BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

### West Prizes

The West prizes are awarded to the highest placed candidates from the Birmingham and District Society's area, in the Intermediate and Final Examinations of The Institute of Chartered Accountants in England and Wales. It is a condition of the award that a substantial part of the articulated service shall have been spent in the office of a principal within the area.

The prizes for the November 1963 examinations were awarded as follows:

Intermediate: Mr P. G. Condon, articled to Mr W. R. Doherty, Birmingham.

Final: Mr M. J. Groom, articled to Mr A. B. Plevy, Wolverhampton.

The prizes were presented by the President of the Society on March 16th.

## LANCASTER AND MORECAMBE CHARTERED ACCOUNTANTS

The next meeting of the Lancaster and Morecambe Branch Chartered Accountants' Society will be held on Tuesday next, April 21st, at the Midland Hotel, Morecambe, commencing at 6.45 p.m.

The meeting, which is informal, will begin with dinner (6.45 for 7.15 p.m.), at the conclusion of which

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the Vice-Chancellor of Lancaster University, Mr C. F. Carter, will speak on "The place of accountancy in university studies".

The branch will be entertaining Mr A. J. Burden, and Mr A. D. Cottam, chairman and secretary respectively of the Education Committee of the Manchester Society of Chartered Accountants, and Mr A. S. Jeffreys, secretary of Lancaster University.

### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

#### Deputy Secretary

As announced under the Official Notices column of this issue, The Chartered Accountant Students' Society of London is inviting applications from chartered accountants, aged between 28 and 35, for the position of Deputy Secretary to the Society. The post will be full-time and the Society, of which nearly half the articulated clerks in the country are members, is expanding rapidly.

Applicants for the post should possess initiative, organizing and administrative ability, and a keen interest in the education and tuition of students and the training of articulated clerks. Preference will be given to university graduates with at least five years' good post-qualification experience in the practising side of the profession.

The appointment is being made with a view to the successful applicant succeeding the present Secretary in a few years' time. The starting salary will be in the region of £2,000 p.a. with excellent prospects of advancement.

### PREVENTION OF FRAUD: INVESTMENTS

The 1964 edition of the annual publication containing particulars of persons and firms authorized to carry on the business of dealing in securities as at January 31st, 1964, has now been issued by the Board of Trade.

The publication, *Particulars of Dealers in Securities and of Unit Trusts under the Prevention of Fraud (Investments) Act, 1958*, contains the names and addresses of holders of principal's licences, of members of stock exchanges and of associations of dealers in securities which are recognized by the Board, and of exempted dealers. Particulars of unit trusts schemes authorized by the Board of Trade are also included.

Copies are obtainable from H.M. Stationery Office, price 3s 6d each (by post 3s 10d).

### REVENUE PAPER

#### Easter Sitzings, 1964

The following cases are down for hearing during the Easter term:

#### HOUSE OF LORDS

Rendell v. Went.  
C.I.R. v. F.S. Securities Ltd.  
Brown v. C.I.R.

### SEVENTY-FIVE YEARS AGO

FROM *The Accountant* OF APRIL 13TH, 1889  
*A Weekly Note*

#### Post-dated Cheque

Post-dated cheques are given every day, and it would surprise the donees of them to hear that they are of no good. Yet in a case of *Hitchcock v. Edwards* recently decided by Mr Justice Cave, reported in another column, such was the contention put forward. It was said that a post-dated cheque is in reality a bill, and, being insufficiently stamped cannot be put in evidence. The judge held that the instrument being due when sued upon, was now properly stamped, and he could not regard evidence tending to show that this was not originally the case. Post-dated cheques, therefore, can be sued on. In a previous case the Court, whilst upholding the action, stated that it was by no means clear that the maker of the cheque was not liable to a penalty.

C.I.R. v. Binns Ltd (awaiting judgment).  
English Electric Co Ltd v. Musker (awaiting judgment).  
English Electric Co Ltd v. C.I.R. (awaiting judgment).

#### COURT OF APPEAL

Varty v. The British South Africa Company.  
William Cory & Son Ltd v. C.I.R.  
Jarrold v. Boustead.  
McInnes v. Simms.  
McInnes v. Large.  
Morgan v. Perry.  
Laidler v. Perry.  
Duckering v. Gollan.  
Strick v. Regent Oil Co Ltd.  
C.I.R. v. Regent Oil Co Ltd.

#### HIGH COURT (Chancery Division)

Barentz v. Whiting.  
Pegg and Pegg (Executors of H. G. Pegg, deceased) v. C.I.R.  
C.I.R. v. G. B. Bates (part heard).  
C.I.R. v. E. Bates (part heard).  
C.I.R. v. G. G. Parker.  
C.I.R. v. M. E. Parker.  
C.I.R. v. Tomlinson.  
C.I.R. v. H. A. Parker.  
E. Horowitz Ltd v. Jones.  
E. Horowitz Ltd v. C.I.R.  
McVeigh v. Scudamore.  
Jackson v. C.I.R.  
Hopwood v. C. N. Spencer Ltd.  
Central and District Properties Ltd v. C.I.R.  
C.I.R. v. H.  
E. Gomme Ltd v. C.I.R.  
C.I.R. v. Coathew Investments Ltd.

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## The Institute in 1963

THE 1963 accounts of The Institute of Chartered Accountants in England and Wales, just issued with the Council's report for the year, disclose that members paid more than £1 million in subscriptions, a sum equal to five-sixths of the Institute's total income of around £300,000. Expenditure, however, was on the same impressive scale and only a modest surplus of £1,347 was available to help increase the Accumulated Fund at the end of the year to £320,562. Substituting the middle market value (£444,350) of the Institute's investments for the book value (£219,899), this figure becomes £545,013, which certainly implies financial strength but, as the Council pointed out in its report of two years ago, the resources and income of the Institute would require 'substantial augmentation' to meet expenditure on new premises and to enlarge the scope and extent of its many activities. Steps to secure this were taken at a special meeting of members last September when increases in annual subscriptions with effect from January 1st, 1964, and in the admission fee with effect from January 1st, 1965, were approved. Negotiations for the acquisition of properties adjoining the headquarters in Moorgate Place, the Council now reports, are making progress and work on the extension scheme may begin early next year.

With such a large proportion of the Institute's income coming directly from members, it is vital that the intake of articled clerks is maintained at a satisfactory level as regards both quality and quantity. In recent years, the Council has done all in its power to make known to schoolboys and graduates and their parents and advisers the potentialities of the profession for those with talent, one useful means being the personal interview with Institute representatives. Over one thousand such meetings were arranged last year, 300 of which were with prospective students from overseas. As a consequence of these and other measures, the numbers of articles of clerkship registered during 1963 was 3,549, an increase of 256 on the previous year's total. The number of members of the Institute on January 1st, 1964, was 37,880 a net accretion for 1963 of 1,299. These vital statistics indicate that the strength of the Institute is being suitably maintained, despite the counter-attractions of other professions and developments in academic education which seem to offer short cuts to rewarding careers, although the really testing time for recruitment may lie in the years immediately ahead. It is to combat such competition that the Institute recently streamlined its syllabus without departing from the essential principles on which the training of its clerks is based.

One of the objects for which the Council strives is to ensure that

members in practice may be free to earn a living under conditions in which ability is not prejudiced by unfair competition. A noteworthy move in this incessant battle was the circulation twelve months ago of a questionnaire to all such members on matters relating to fees, charging rates, type and remuneration of staff and partnership incomes. The Council now announces that 2,715 replies were received, a response rate of 46 per cent. While this is probably high enough to enable the Economist Intelligence Unit to produce representative and instructive statistics it would have been more satisfying, in view of the *raison d'être* of the inquiry, if a greater degree of co-operation had been shown by members. The Council proposes to circulate a report prepared by the District Societies on the evidence obtained to all practising members at the end of this month. Other members may obtain copies on request.

During 1963, the Council took part in two specific campaigns on behalf of the profession which aroused considerable public interest. One was the clause in the London Government Bill, then before Parliament, which proposed that district auditors should be compulsorily preferred to professional auditors by the councils of the new boroughs. The main battleground was the correspondence columns of *The Times* and although the cause was lost the viewpoint of the profession was firmly put on record in the form of two admirably worded letters from THE PRESIDENT OF THE INSTITUTE.

The other campaign arose from the decision of the board of The City of London Real Property Co Ltd to propose the appointment of new auditors at the company's then approaching annual general meeting because, as the directors alleged, 'the all important mutual confidence between the board of the company and its auditors' no longer existed and that, in consequence, a change would be in the interests of the shareholders. To the protests which appeared in the Press the Council of the Institute added an authoritative statement pointing out that auditors were answerable not to the directors of the company but to its shareholders and in the end, bowing to the storm, the directors withdrew their ill-advised motion.

Naturally most of the Council's report is devoted to items of personal concern to members and clerks but substantial sections on professional and overseas matters reflect the influence of the

Institute on affairs affecting the accountant at large. This is particularly evident from the close connection maintained with THE CHANCELLOR OF THE EXCHEQUER, the Board of Inland Revenue and the Treasury on fiscal questions. In drafting memoranda and in advising on technical questions relating to the Institute's first electronic data processing course, held three months ago at St Leonards-on-Sea, the Taxation and Research Committee (now re-named the Technical Advisory Committee) had a busy and diverse year. An innovation in the Institute's organizational structure is the recent formation of a Research Committee. This new body will select subjects for research and encourage authors to write about them. Publication will be financed through the medium of a specially created charitable trust. The idea is to stimulate original and individual thought. The duties of the new committee, therefore, will not conflict with those of the Technical Advisory Committee which projects the official views of the Council.

One of the main reasons for the continuing success of the Institute's summer courses is that members may meet to discuss mutual problems under conditions ideally suited to the furtherance of good fellowship. Although members in the United Kingdom in practice are outnumbered two to one by members in the United Kingdom not in practice, according to the Institute membership statistics, the former seem to attend these courses in proportionately greater strength. This is surprising as the subjects chosen for discussion seem, if anything, to cover topics which are primarily the concern of the accountant in industry and commerce. To the existing facilities for getting together have been added two others – the electronic data processing course already referred to above, and the three business sessions which for the first time followed last year's annual meeting.

This year, the white cover containing the Council's report and accounts is adorned by a fillet of bright red and there are a number of pleasing typographical changes. For the rest, the activities of the Institute are, as before, punctiliously presented and the whole document radiates an air of calm assurance which even the temporary transition to outer space in EC1 in what must have been the midst of its preparation has not been able to shake.

## Budget Debate

**D**URING the course of the debate on the Budget 'proposals' the Government admitted that in confining the increased taxation to some £100 million in a full year they were taking a calculated risk. Certainly a reduction in purchasing power of this magnitude is not very great in the context. There were, of course, complaints that increasing the cost of tobacco and beer would cause undeserved hardship to old-age pensioners, and the suggestion was even made of reintroducing tobacco tokens so as to enable pensioners to be directly subsidized in their tobacco purchases. This particular commodity would seem to be the last thing in the world to subsidize. Perhaps the proponents of the idea would also like to see vouchers being issued to the poor to enable them to buy beer at reduced prices.

A fairly general complaint was that the Budget did not do enough. We seem to have been conditioned now to expect sweeping tax changes every April, with the inevitable concomitant confusion and disorganization. To those concerned with the administration of the direct taxes, the absence of any substantial change is more than welcome. The complaint was made that a thorough-going reform of the tax system was long overdue, with the apparent implication that reform and simplification were more or less synonymous terms. The history of Finance Bill drafting in recent years does not encourage anyone who is familiar with it to welcome further changes. The income tax system, for instance, is very much more complicated than it was on the occasion of the last consolidation twelve years ago. One member of the Commons raised again the age-old complaint that there is no justice in the distinction which is made in the rules for expenses between taxpayers assessed under Schedule D and taxpayers assessed under Schedule E. Perhaps the truly extraordinary thing is that the whole topic was exhaustively reviewed by the Radcliffe Commission years ago, and yet its recommendations have not been accepted. Criticisms in the Courts of the unfair discrimination against employees have likewise been ignored. One member argued that the commuter ought to be allowed to deduct the expense of travelling to and from his work. The Inland

Revenue, with their fondness for taxing notional income, might perhaps approach the problem from the other end; imposing a special tax which would be at a maximum for those who had no travelling expenses at all, and scaling down to nothing where the taxpayer lived, say, twenty miles or more away from his work. As things are, the farther a taxpayer has to travel to his work, the greater the rate of tax charged on his net earnings after deducting essential travelling expenses.

As regards the choice between direct and indirect taxation, there could hardly have been any hesitation this year. Given the necessity to reduce purchasing power at once, and given also the great increase in living standards, there was an obvious case for increases in the existing taxes on drink and tobacco. Nobody is obliged to buy either commodity, but it is a safe assumption that the new increases will be only slightly deterrent. The Opposition indicated that their remedy would be an increase in the profits tax, which is paid only by companies and the like, who have no votes. Mr DOUGLAS JAY said it was not surprising that the stock exchange had found the Budget so exhilarating. However, another member of the Opposition told of a visit to a Russian factory where the men were working very hard. He asked someone there why they were working so hard and the terse answer was 'profits'.

To continue this exchange of roles, a Conservative member said he thought the time had come when the Government should make some effort to claw in for itself some of the large gains made on the sale of land. A betterment tax could be imposed without causing any serious increase in the price of land.

It was not so much taxation as an incomes policy which engaged the attention of the debaters. The Opposition complained that after so many years of power the Conservative Party had failed to produce a working incomes policy. The Government retort to this was that if Labour had failed also in its own six years of power, it was unlikely to succeed next time. Mr ENOCH POWELL poured scorn on the idea that fiscal measures could produce very great economic changes.

by B. ANN KEMP, A.C.A.

Figure 1. - Punched-card recording data shown on the first line of Tabulation No. 1.

Other information which can be inserted on the card in code form is as follows: (c) whether knock-for-knock agreements exist; (d) fleet cover.

(a) geographical location;

(b) age of driver;

An extract from a tabulation for three months might be as follows:

Tabulation No. 1 showing separate accounts in respect of each claim for three consecutive months

NOVEMBER 1963								
Date	Year of Account	Claim No.	Brokers' Code No.	Type of Risk	Code	Amount	Loss Dr £	Gain Cr £
November 63	1962	2129	207	AD	1	100 Cr		
November 63		2129			5	130 Dr		
November 63		2129			3	0 Dr	30	
November 63	1963	2130	207	AD	1	90 Cr		
November 63		2130			5	60 Dr		
November 63		2130			7	30 Cr		
November 63		2130			3	0 Dr		60
November 63	1962	2131	290	TP	1	500 Cr		
November 63		2131			Bal.	500 Dr		
November 63	1962	2132	310	AD	1	70 Cr		
November 63		2132			5	40 Dr		
November 63		2132			3	80 Dr	50	
						Net Loss		20
							£80	£80

DECEMBER 1963								
Date	Year of Account	Claim No.	Brokers' Code No.	Type of Risk	Code	Amount £	Loss Dr £	Gain Cr £
November 63	1962	2131	290	TP	1	500 Cr		
November 63		2131			Bal.	500 Dr		
December 63		2131			Bal.	500 Cr		
December 63		2131			5	70 Dr		
December 63		2131			3	600 Dr		170
November 63	1962	2132	310	AD	1	70 Cr		
November 63		2132			5	40 Dr		
November 63		2132			3	80 Dr		50
December 63		2132			3	80 Cr		
December 63		2132			5	95 Dr		
December 63		2132			3	0 Dr		15
December 63	1963	2133	290	AD	1	30 Cr		
December 63		2133			5	80 Dr		
December 63		2133			7	20 Cr		
December 63		2133			3	0 Dr		30
Loss							£265	

JANUARY 1964								
Date	Year of Account	Claim No.	Brokers' Code No.	Type of Risk	Code	Amount	Loss Dr £	Gain Cr £
November 63	1962	2131	290	TP	1	500 Cr		
November 63		2131			Bal.	500 Dr		
December 63		2131			Bal.	500 Cr		
December 63		2131			5	70 Dr		
December 63		2131			3	600 Dr		170
January 64		2131			3	600 Cr		
January 64		2131			5	750 Dr		
January 64	1963	2131	310	AD	3	0 Dr		150
January 64		2134			1	300 Cr		
January 64		2134			5	100 Dr		
January 64		2134			3	250 Dr		50
							Loss	£370
CODES								

CODES  
1 = Original estimate  
3 = Revised estimate  
5 = Cash paid to insured  
7 = Cash recovered

Tabulation No. 2 showing how original estimates compare with actual amounts settled

NOVEMBER 1963								
Date Claim Notified	Year of Account	Claim No.	Brokers' No.	Type of Risk	Original Estimate	Actual Amount Settled	Net Loss	Net Gain
November 63	1962	2129	207	AD	£ 100	£ 130		
November 63	1963	2130	207	AD	90	30		
					<u>£190</u>	<u>£160</u>		30
DECEMBER 1963								
December 63	1963	2133	290	AD	£ 30	60		
November 63	1962	2132	310	AD	70	135		
					<u>£100</u>	<u>£195</u>	95	
JANUARY 1964								
November 63	1962	2131	290	TP	<u>£500</u>	<u>£820</u>	320	

Revised estimates would be made continuously, i.e. whenever a file is taken out a revised estimate would be made if circumstances indicated that this was desirable. A perusal of the claims tabulation indicates when an estimate was last revised and therefore action can be taken to examine a file on which there has been no movement for, say, the last six months.

When claims are settled the relevant cards are extracted from the pack and Tabulation No. 2 as set out above is prepared in broker sequence.

Tabulation No. 2 shows at a glance how actual

settlements compare with estimates. This information is particularly useful for management in appraising whether adequate provision is being made for claims at the time a claim is notified.

Further tabulations can be made to analyse claims into underwriting years of account, type of risk, etc.

Tabulation No. 1 is controlled by the following two accounts:

- (a) Creditors for Claims Account;
- (b) Cost of Claims Account.

Account (a) - Creditors for Claims Account									
1963				£	£	1963			
November	Cash					November	Original estimates		
	2129	..	..	130			2129	..	100
	2130	..	..	60			2130	..	90
	2132	..	..	40			2131	..	500
					230*		2132	..	70
	Balances, carried down								760*
	Code 3	..	..	80*			Cash	..	
	'Balances'	..	..	500§			2130	..	50*
					580		Loss as Tabulation	..	20†
					<u>£810</u>				<u>£810</u>
1963				£	£	1963			
December	Cash					December	Balances, brought down	..	580
	2131	..	..	70			Original estimates		
	2132	..	..	95			2133	..	30*
	2133	..	..	80			Cash	..	
					245*		2133	..	20*
	Loss on claims not settled at end of November, written back ..	..	..		50†		Loss as Tabulation	..	265†
	Balances, carried down								
	Code 3	..	..	600*					
	'Balances'	..	..		600				
					<u>£895</u>				<u>£895</u>



April 25th, 1964

# THE ACCOUNTANT

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1964		£	£	1964		£
January	Cash			January	Balances, brought down	600
	2131 .. .. .	750			Original estimates	
	2134 .. .. .	100			2134 .. .. .	300*
			850*		Loss as Tabulation	370†
	Loss on claims not settled at end of December, written back .. .. .		170‡			
	Balances, carried down					
	Code 3 .. .. .	250*				
	'Balances' .. .. .					
			250			
			<u>£1,270</u>			<u>£1,270</u>

## SOURCES OF ENTRIES

- (1) In practice the items marked with an asterisk \* are made in one total from books of original entry, viz. cash-book, original claims book and revised estimates claims book.
- (2) † 'Loss as tabulation' entry is taken from the net gain or loss arising at the end of the monthly tabulations. (Tabulation No. 1.)
- (3) § The 'Balance' figure, i.e. balances on accounts where no revised estimate has been made, is obtained through the tabulator.
- (4) ‡ It is necessary to write back the losses on unsettled claims at the end of the previous month as these are brought forward in the current tabulation.

The figures for December and January are as follows:

	1963 December £	1964 January £
Loss on Tabulation No. 1 as shown for previous month .. .. .	20	265
Gain or loss arising on settled claims - Tabulation No. 2 .. .. .	Gain 30	Loss 95
	<u>£50</u>	<u>£170</u>

The correctness of the above entries is automatically proved because the two sides of the account when cast should agree.

## Account (b) - Cost of Claims Account

1963		£	1963		£
November	Original estimates .. .. .	760	November	Balance, carried down .. .. .	780
	Loss as tabulation .. .. .	20			
		<u>£780</u>			<u>£780</u>
1963		£	1963		£
December	Balance, brought down .. .. .	780	December	Loss on claims not settled at end of November, written back .. .. .	50
	Original estimates .. .. .	30		Balance, carried down .. .. .	1,025
	Loss as tabulation .. .. .	265			
		<u>£1,075</u>			<u>£1,075</u>
1964		£	1964		£
January	Balance, brought down .. .. .	1,025	January	Loss on claims not settled at end of December, written back .. .. .	170
	Original estimates .. .. .	300		Balance, carried down .. .. .	1,525
	Loss as tabulation .. .. .	370			
		<u>£1,695</u>			<u>£1,695</u>
1964		£			
February	Balance, brought down .. .. .	1,525			

Therefore £1,525 is the amount of claims paid and provided for at the end of January 1964.

Although the basic principles of the system have only been broadly described it will be

appreciated that the use of punched cards can make the system as flexible as it is wished and consequently tabulations of any description can be produced.

# The Romantic Age of Commerce

by R. ROBERT, A.C.I.S.

**E**DUCATED Englishmen in 1564, the year in which William Shakespeare was born, already knew that the world was round and that far away on the other side of it were strange and exotic lands ready for conquest, colonization, and trade. Columbus, towards the end of the previous century, had discovered America; Portuguese navigators under Magellan in 1521 had actually made the first circumnavigation of the globe. When the Bard was busy acquiring his 'little Latin and less Greek', Francis Drake emulated that great feat in the *Golden Hind*. Africa's west coast was being explored, the Cape had been rounded, and India reached.

Ships began penetrating, unchallenged, to ever more remote regions. Wealth in various forms poured into the ports and the whole Elizabethan community was borne high on a rising tide of prosperity. Out of that material affluence, and in many ways a direct product of it, sprang Shakespeare, his plays, and a great deal more of art, science and literature.

## Overseas Trading Ventures

Important from our specialist point of view, was the emergence at about that time of new forms of economic organization, as, for instance, in the field of joint-stock enterprise. In 1564, the very year of Shakespeare's birth, the famous company known as the Merchant Adventurers had obtained a monopoly of the cloth trade. Though only incorporated in 1553, its activities – mainly concentrated on the Netherlands and Germany – had begun at a much earlier date. The company was, in fact, founded by the Duke of Brabant as far back as the thirteenth century.

The Merchant Adventurers was, however, a 'regulated' company, i.e. its nature was that of a free association or guild, the individual members of which traded on their own account or in partnership. For the true beginnings of the joint-stock system, as known today, we must look to the Traders to Muscovy, otherwise known as the Russia Company, who did not operate as individuals but as a body with a single purpose, a common pool of capital, a board of directors, and stockholders. This form of combination, devised by some fertile Tudor brain, exactly matched the

*All over the country, indeed all over the world, celebrations are being held in honour of William Shakespeare, born at Stratford-upon-Avon on April 23rd – just 400 years ago.*

needs of an era in which, with a world-market opening up, mercantile projects had to be planned on a broader and more ambitious scale.

Other overseas trading ventures, organized on the same principle as the Muscovy Traders after Elizabeth's accession, were the companies for Spain 1577; the Baltic 1579; Barbary 1585; and the Levant 1581. All were created by royal charter; all had a common seal, perpetual succession and enjoyed the privilege of limited liability. The capital was subscribed by men drawn mainly from the merchant class who planned the expeditions, participated in the profits and shared losses.

By 1600, Shakespeare had established himself as the leading dramatist of his age, with a series of brilliant comedies and chronicle plays. The London merchants, meantime, had discovered the East Indies and were buoyed up by hopes that a profitable trade could be established in the islands. The Queen's permission was therefore asked to set up a company for that purpose, and Elizabeth, after initial hesitations, granted them a charter.

## East India Company

The East India Company consisted originally of one hundred members, who between them contributed £30,000 with which to construct and equip five small, wooden ships. The fleet sailed, visited Sumatra and Java where large quantities of spices were purchased and returned safely in 1603. This, the first venture of the greatest of all English chartered companies, produced a fabulous profit.

A second fleet consisting of four ships set sail in 1604 and though on this occasion one vessel was lost, the voyage was again regarded as a success. The third expedition, undertaken in 1607, resulted in a dividend of nearly 300 per cent. Inevitably there were setbacks caused by

shipwrecks or piracy, but on the whole the affairs of the East India Company prospered. In 1609 it obtained from King James I a revised charter which gave it a complete monopoly of East Indian trade.

Three years later the directors turned their attention to the vast sub-continent of India and its untapped cornucopia of riches. Eventually, after fierce struggles against rival Portuguese and French traders, the foundations of British rule in India were laid and officials of the company actually governed that country for 250 years.

Another noteworthy group, with the worthiest intent, formed themselves into the New River Company which, between 1609 and 1613, constructed a canal whereby fresh drinking water was brought to London from springs thirty-eight miles to the north. The entrepreneur was Sir Hugh Middleton – partnered by James I who, when the company ran into difficulties, provided a loan so that work could be continued. In return, he was allotted half the company's shares.

At the very time, therefore, that William Shakespeare was creating his great masterpieces *Othello*, *Macbeth* and *King Lear*, other men inspired by different motives were labouring at tasks more mundane yet of no less significance for society. They were, in fact, laying the foundations of an entirely new economic order.

### Account Keeping and the Coinage

Some of the impetus behind Shakespeare's England undoubtedly came from abroad. There was a constant importation of all the more progressive continental ideas. Italy, in particular, was laid under heavy tribute. Shakespeare adapted Boccaccio's plots while the mercantile community learnt of Luca Pacioli's secret of correct book-keeping. Long before the Bard's first folio was published in 1623, books on double-entry had issued from the presses. Among the first authors were Hugh Oldcastle, a London schoolmaster, 1534; James Peele, clerk to Christ's Hospital, 1553; John Weddington, a factor and merchant, 1567. No deep study of the works they published is necessary to prove that accounting techniques and commercial practices were often at an advanced stage. The word 'accownt', it may be noted, appears at least once in the plays. 'He can read and write and cast accownt' says one of the characters in *Henry V*. We also find 'accountant' used – though not in the generally understood modern sense.

It was, incidentally, during Shakespeare's lifetime that England decided to discard with other

feudal fetters the old, clumsy Roman numerals in favour of others that made for more rapid calculation. Adoption of the Hindu-Arabic numerals was in itself a revolution and another was to come soon afterwards: Blaise Pascal's first adding machine, though that takes us on to 1642 by which time Shakespeare had been dead for twenty-six years.

Since there is a cash nexus to even the most romantic commercial transactions it seems appropriate to say something about the coinage. One of the most remarkable things is the great variety of denominations of coins then in circulation. Among them were the sovereign of 30s, the royal of 15s, the pound of 10s, the crown, half-crown, angel, shilling, sixpence, groat, penny, three-farthings and halfpenny.

### Beginnings of Banking

When Shakespeare was still a boy a large amount of debased coin dating from the time of Henry VIII was in circulation in the country. Gradually, however, this coin had been called into the Mint, and in 1572 a new gold and silver coinage appeared. The 'Pyx Trials' were resumed and – fully in the spirit of the times – an attempt was made to replace the hand-hammered coins by machine-made or 'milled' coins. Only 'Luddite' opposition by the Mint workmen caused the newly-installed presses to be abandoned.

The period was, as we have seen, one of rapidly expanding commerce and this of necessity led to increasing opportunities for the deployment of financial resources. Foreign trade was financed by merchants such as Sir Thomas Gresham, founder of the Royal Exchange, and by the London scriveners with their own or other people's capital. However, it was the goldsmiths who early in the seventeenth century provided the starting-point for modern banking practices. They had for long accepted coin, plate and other valuables for safe keeping. Later, they began lending money at interest and it was discovered, furthermore, that their deposit receipts could be passed from one person to another in settlement of debts. Clearly these goldsmiths' receipts were the precursors of bank-notes.

There we must leave the subject. More might be written to the same purpose but the facts provided are perhaps already sufficient to uphold our thesis: that Shakespeare's age, which gave birth to such magnificent drama, was also the age of discovery, of mercantile enterprise, and of economic innovations that have endured to the present day.

# The Accounting World

## SOUTH AFRICA

### **Chartered Accountants' Handbook**

A PLEASING announcement appeared on the desks of all South African chartered accountants recently. It was issued by the Joint Council of Societies of Chartered Accountants of South Africa to the effect that a start had been made on a series of statements on auditing for the guidance of South African practitioners.

The first statement is entitled *Auditing Principles and Standards* and deals primarily with the general principles of auditing in the light of South African law, experience and practice. It is intended that this statement will be followed in due course by others dealing with specific matters such as stock-in-trade and work in progress, accounts receivable and other current assets, liabilities, terms used in accounts, auditors' reports, and so on. It is also intended at a later stage to issue a statement, or series of statements, on accounting principles.

Loose-leaf binders, labelled *The S.A. Chartered Accountants' Handbook* to accommodate all these statements as well as Joint Council and constituent society circulars, are in process of production and will be available at small cost to those who require them.

This news is indeed gratifying to the ordinary practitioner in South Africa who has waited a long time for an authoritative guide to the standards set for the profession in that country. The issue of this series of statements is indicative of the benefits that must flow from the reconstitution of the Joint Council which was brought about in 1962.

## CANADA

### **Industrial Plant of the Future**

THE typical plant of the future will be characterized by the complete separation of men and machines. So said Mr Frank L. Whitney, President, Walter Kidde Constructors Inc., New York, in *Industrial Canada* (Toronto) recently. One facility will house a process and another the people who run it by remote controls, or who handle the management and clerical jobs. Thus a company may have its manufacturing plants in San Francisco, Birmingham and Hartford and govern all three from a single control centre in a Chicago skyscraper.

The role of the plant engineer will increase in importance. At present a typical one-storey plant housing an integrated operation has finished stores, raw material stores, production tools and people working with them. When the plant becomes automated, raw materials are brought in automatically to be deposited right on the programmed production

line. There is little need for storage. Production controls may be so finely developed, through installation of electronic equipment, that intermediate or in-process stores may be largely eliminated. Finally, the people themselves will be replaced by automatic tools.

Working conditions, too, are going to change. Mr Whitney said that recent research seemed to show that conditioned air, unlike pure mountain air, lacks negative ions. This theory calls for inclusion of a negative ion generator in the air-conditioning system, to make conditioned air the same as resort air. Mr Whitney then speculated that workers may holiday where they work!

## LEBANON

### **The Middle East Society of Associated Accountants**

AN order, by the Ministry of Interior in the Lebanon, has been issued authorizing the establishment of the Middle East Society of Associated Accountants, following a request submitted by a number of practising public accountants. The purposes of this Society are to elevate the professional, ethical, moral and educational standards of the accounting profession in Lebanon and the Middle East; to engage in and assist in the development of accounting research and improve technical accounting principles; to standardize Arabic accounting terminology for local use; to encourage the professional exchange of knowledge through conferences and conventions; to co-operate with the authorities in financial and fiscal legislation, and to open the field for young men desiring to join the profession through study and experience.

The first Council is constituted of the following: Mr Fuad S. Saba, F.A.C.C.A. (*President*), Mr Iskandar N. Siman (S.C.F. and Expert Agréé) (*Vice-President*), Dr Fauzi F. Saba, C.P.A. (VIRG.) (*Secretary*), Mr Karim G. Khouri, F.A.C.C.A. (*Treasurer*), Mr George A. Ashkar (Expert Agréé), Mr William S. Mitri (Expert Agréé) and Mr Talat N. Baddar, A.C.A.

## FINLAND

### **Parliamentary Ombudsman**

OUTSIDE the Scandinavian countries, only New Zealand has appointed an Ombudsman. Several countries, however, including the United Kingdom, have shown interest in the idea. In Finland there are two ombudsmen; one is the Chancellor of Justice to the Government, approximating to the United Kingdom Attorney-General, and the other is the Parliamentary Ombudsman who could, perhaps, be equated with the Solicitor-General.

Following the Swedish example, the Parliamentary

Ombudsman was provided for in the Finnish Constitution Act of 1919. The new office did not attract a great deal of attention at first, but gradually it began to play a bigger role in the legal system of the country, and today the Ombudsman is an office known to every citizen.

The Ombudsman's authority derives directly from the Finnish Parliament, which elects him for periods of four years, and by virtue of his parliamentary origins the Ombudsman acts on its behalf and is obliged to make an annual report to the members. No field of public activity lies outside his authority, and any citizen has the right to call on him at his office, where he is received first by one of the three lawyers that make up the staff. In addition, any citizen may write to the Ombudsman with his complaint and it will be investigated; about a thousand complaints and petitions are received each year, about one hundred and fifty of which are referred to him by the Chancery of Justice.

## **NEW ZEALAND**

### **Club Accounting**

**A**CCOUNTING for Clubs is the title of a useful little booklet recently issued and widely distributed by the New Zealand Society of Accountants as a public service to assist secretaries and treasurers of unincorporated organizations who may have little or no accountancy knowledge.

In four short chapters the booklet outlines basic accounting methods, explains the records required and suggests procedures useful in the accurate and complete recording of transactions and the presentation of accounts.

As the introduction of the booklet so rightly stresses, the essentials of complete accounting, effective financial control and accurate reporting should always be preserved, whatever modifications to a proposed system may be necessary to meet the special circumstances and activities of a particular organization.

## **Weekly Notes**

### **MANAGEMENT INFORMATION CERTIFICATE DETAILS**

**S**OME particulars about the examination leading to the award of the Certificate in Management Information which The Institute of Chartered Accountants in England and Wales and The Institute of Chartered Accountants in Ireland will conduct jointly are given in a booklet just issued by these two bodies. The purpose of the certificate is to encourage members, both in practice and in industry or commerce, to study a subject with which they may become increasingly concerned. It is anticipated that the examination will normally be taken in the early years after admission to membership and that the usual period of part-time preparatory study will be not less than two years. Designatory letters will not be used but the names of those holding the certificate will be specially marked in the appropriate *List of Members*.

The first examination will be held in October 1966 and annually thereafter in the same month. Candidates must be qualified at least two years before taking the examination and must register as students not later than October 1st of the year preceding that in which they wish to sit. It is expected that London, Manchester, Belfast and Dublin will be the examination centres.

The examination will consist of four papers each of three hours' duration. The first paper will cover 'Business organization and administration' and will include a case study which will require an answer in

the form of a report. This question will carry about half the total marks to be given for the paper. The second paper, to be entitled 'Design of systems and data processing', will not call for a detailed technical knowledge of particular machines but candidates will be expected to have an understanding of the principles of operation, organization and control so that opinions as to suitability, comparative costs and special requirements for specific systems may be expressed. The third paper will deal with 'The use of analytical and statistical techniques in providing management information' and the fourth and last paper, on 'Financial management and the use of accounting information', will postulate a deeper knowledge and understanding of the relevant parts of the syllabus for the Advanced Accounting III paper in the Final (Part II) examination of the English Institute and for the Cost and Management Accounting paper in Part V of the examination of the Irish Institute.

A helpful reading list is appended and further details including specimen questions will be made available around next October. In the meantime, alterations to the Royal Charters and bye-laws of each Institute will have to be approved by their respective members and then by the appropriate constitutional authorities.

### **NOTICES OF ASSESSMENT**

**I**T often happens that a taxpayer, on receiving a notice of assessment, puts it away in a drawer with the comforting reflection that his accountant 'deals with all that sort of thing', thus failing to ensure that an appeal is lodged within the statutory time limit. This should become a thing of the past next year when the Inland Revenue institutes its promised new practice of issuing copy notices to the accountant, as well, in

every case where the taxpayer has so authorized. This new practice will apply to both Schedule D and profits tax assessments and will start with the tax year 1965-66, but will be confined to cases where the taxpayer's main source of income is a trade or a profession. The taxpayer will need to give written authority for copies to be sent to his agent in the first place, but thereafter copies will continue to be sent until the taxpayer countermands them. For years professional bodies have asked for notices to be issued to the agent, but the Revenue are anxious to maintain the practice of seeing that the taxpayer receives a notice personally, so that he cannot shield behind his agent's failings. The

announcement of the proposed new practice was made in the House of Commons last week on the third reading of the Income Tax Management Bill which, of course, introduces many new statutory reforms. It was the subject of a leading article in our issue of February 15th.

### TAX-FREE FIGHT AGAINST NATIONALIZATION

THE subtle distinctions drawn in *Morgan v. Tate & Lyle* (33 A.T.C. 184) and *Thompson & Sons v. Chamberlain* (41 A.T.C. 371) between the cost of a campaign to prevent the nationalization of

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 221

THE traditional heading 'Sundry debtors' in the company balance sheet is reminiscent of charity; it covers a multitude. The multitude is not so much the debtors themselves, surprising though it may seem, but the crowd of colleagues who feature in the exercise whenever a debtor's account is under review.

When I came here first our debtors ran into four figures in numbers and six figures in value, and they were watched like hawks. With sales staff looking for commission, directors pressing for higher turnover, ledger clerks apprehensive of bad debts blackmarking their personal records, and a chief accountant (that was me) forecasting a rising overdraft and heavier interest charges, the office was all eyes and ears. In a retail establishment the liquid assets largely comprise cash, stock-in-trade, and accounts receivable – all practically synonymous, but only in the latter case is the office responsible. There the potential losses depend on the ledger clerks' judgement.

We had a number of ledger clerks of assorted ages, experience, and ability, who day by day weighed in the balance the orders and the sales and the remittances relating to their particular areas. My first shock came early. All these clerks brought their problems, their borderline cases, to me for solution. Can X. have additional credit? Will Y. close his account if we refuse him a discount allowance? Should we sue Z. for his overdue account? The line, like Macbeth's, stretched to the crack of doom.

The logical policy was to appoint a chief ledger clerk; so I tried to assess the likeliest candidate, but our directors turned down the suggestion. Good in principle, yes, the directors conceded; but they wouldn't agree there was a suitable man to promote. A. was too old and B. was too young; C. was irresolute and D. was pigheaded; E. was inflexible and F. was bone-lazy . . . and so on. I was to continue to be

personally responsible for all the accounts, a decision which ran contrary to all efficient tenets of organization.

This is how it would go. I'd be working, say, on a report to the directors pressing for a take-over bid for our local competitor, temporarily in financial straits, when a ledger clerk enters. He's held up a big order for Z., whose account is overdue and whose last cheque has bounced, and now the sales manager is trying to bulldoze him into retraction. What was he to do?

I apply moral support. Never mind the sales manager, I say; stand by your decision. Half an hour later Scotty enters in the manner of an Assyrian coming down like a wolf on the fold, and we exchange strong words before he departs. He returns later with the contact director, a notoriously indecisive type, as I'm re-drafting my paragraph five (purchase price of ordinary shares) and we start the argument again. Losing a good account is suicidal, rumbles Scotty indignantly, and I reiterate the reasons for our decision in simple words of limited offensiveness.

The contact director really shouldn't have butted in at all, as he'd be more profitably employed reading his advance copy of my outline report. Nevertheless, he makes matters worse by summoning the ledger clerk and snapping sharp questions at him when that nervous youth stammers, so the history of the account since last century is resurrected and contradicted. When we halt exhausted, the contact director broods worriedly and both Scotty and I confuse him hopelessly by offering to yield the point, since we both have a load of more important duties waiting. (Mind you, this was no isolated case; it used to be a regular event).

Finally, the director looks up brightly. 'Let's ask the chairman', he beams. 'He's known Z. for years past; he'll be interested.' We all trek up to the chairman; we re-cap the arguments; Scotty and I change sides again; the chairman ponders. . . . Why not send half the order? he suggests brilliantly.

No wonder we couldn't select a chief ledger clerk, when we so carefully demoralized the best of our candidates by hamstringing their efforts to make their own decisions. As for that take-over bid – somebody else got in first and made a fortune.

sugar firms and payments to the Economic League, in relation to deductibility for tax purposes, are touched upon in an article which Sir John Foster, Q.C., M.P., has written for *Aims of Industry*. It will be recalled that Messrs Tate & Lyle were successful in obtaining a deduction, while Messrs Thompson & Sons were unsuccessful. Sir John reviews the problem in a general way and then goes on to explain how a company can make earmarked payments to *Aims of Industry* in such manner that the payments are deductible in arriving at the company's own profits for tax purposes. Copies of the article are obtainable from *Aims of Industry* at the price of 2s net.

### THE FERRANTI AFFAIR

THE report issued at the end of last week by the House of Commons Committee of Public Accounts<sup>1</sup> raises a number of important matters of principle on Government contracts. This is the first of two reports on investigations into the cost of the Bloodhound I missile made by Ferranti Ltd. A further report is to come from Sir John Lang, the special commissioner appointed by the Minister of Aviation and the Chancellor of the Exchequer to investigate the allegations of Ferranti's excessive profits which were originally contained in a report from the Comptroller and Auditor-General. According to the latter report, Ferranti made an estimated profit of 63 per cent on the cost of the missile to March 31st, 1961, compared with the 7 per cent intended by the Ministry of Aviation.

The committee's report shows a sharp difference of opinion between the Ministry and Ferranti on how much information ought to have been exchanged on the contract. The committee considers that the special relationship between the two should have 'evoked a desire on the part of both parties to the contract to exchange up-to-date information'. The Ministry's view was that by October 1960 when the contract price was negotiated, Ferranti must have known very nearly what the profit was going to be. From this the Ministry thought it fair to draw the conclusion that they themselves were negotiating in ignorance of the facts with a contractor who knew the facts. Ferranti's view, according to the report, is that the extent to which it beat the cost estimate was a measure of its own efficiency and that it was entitled to the full benefit of the saving. Ferranti add that the Ministry, through its accountants' investigation of figures taken from Ferranti's books, had similar information to the company itself and that at the time prices were settled the Ministry had these figures before them. Ferranti assumed that the Ministry was making use of them. They further consider that it was unreasonable to expect a contractor engaged on a fixed price contract to tell the Ministry that he was doing better than he had expected that he would.

The Committee itself comments that a contract for

the production of a new weapon such as this underlines the need for the fullest exchange of information between both parties. It considers that the lesson to be learned from this contract is that where fixed-price contracts are adopted (and they favour fixed price contracts on military orders rather than cost plus contracts) a bigger effort must be made to ensure the efficiency of the technical cost estimating. It recommends that Sir John Lang's findings should be studied by a future Committee of Public Accounts. The Committee comments that at the time contract prices are agreed, both sides should share up-to-date information and that the failure by the Ministry to possess or use relevant information should not relieve a contractor of the obligation to aid negotiations on the prime condition of the contract.

In their report the Committee favours on the whole the Ministry point-of-view. It remains to be seen what Sir John Lang says in his report. The question is one of principle and any precedents which are set in this case should have a wide affect not only on the process of negotiation in future large military contracts but also on the efficiency of cost investigations by Government departments.

## Finance and Commerce

### Late

READERS who look at the weekly reprint before turning to the notes may possibly wonder why this week's reprint consists of the accounts of Joshua Bigwood & Son Ltd for the year to December 31st, 1962. It will be seen from the auditors' report, however, that the accounts were signed by the auditors on March 13th, 1964.

The 1962 Joshua Bigwood accounts, therefore, are of interest because they actually are the 1962 accounts and are the latest accounts to be presented to shareholders. Not that Mr H. R. Rowbotham, the chairman, appears to think that there is anything radically wrong in presenting 1962 accounts to an annual meeting on April 19th, 1964.

There is not one word of apology in his statement at the lateness of the accounts, neither is there a solitary word of explanation. Late accounting is apparently the 'accepted norm' in this company. Mr Rowbotham apparently considers it the normal thing to report that 'we shall be paying an interim dividend of 5 per cent, less tax, in respect of 1963 on May 1st' - 1964 of course.

### This Year, Next Year

Such late accounting makes it extremely difficult to grasp which year Mr Rowbotham is writing about in his review. 'This is the first year in its history that

<sup>1</sup> Second Report from the Committee of Public Accounts: 1963-64, *Guided Weapons Contracts with Ferranti*. Cmd 183; Stationery Office. Price 6s net.

your company's output has exceeded £1 million and we must now strive, as indeed we are, to conquer the next peak' he writes.

Presumably that means that the £1 million plus figure was achieved in 1962. On that basis it also means that the company is now striving to increase the output for 1963 which is rather a remarkable exercise. The chairman also reports a significant upsurge in order books 'towards the end of the year'. Was that in 1962?

But Mr Rowbotham, in his estimation presumably, really brings shareholders bang up to date with the remark that 'in view of all the circumstances, particularly that 1963 has shown no alleviation of the position of the machine tool industry in either the heavy or the light sides, your board regret that they do not deem it prudent to recommend a final dividend in addition to the interim already paid'.

Then comes the piece about the interim of 5 per cent for 1963 to be paid on May 1st, 1964.

### No Urgency

Mr Rowbotham, commenting on the general attitude towards the machine tool industry, writes: 'There is from time to time much ill-informed criticism of the lack of progressive design on the part of companies such as yours.' He asks shareholders to draw their own conclusions on that point from two examples of the company's products illustrated in the report.

One of the signs of a progressive company is in the promptness of its accounting. Shareholders may also

draw conclusions about the progressive character of a company which takes fifteen months to issue its accounts and even then can give no firm indication of the way turnover and profits have gone in the interim.

There is no indication in Mr Rowbotham's statement that the accounting process is being speeded up. In fact the most remarkable point about the chairman's report is the complete lack of any sense of urgency on this particular point and of any acknowledgement at all that the accounts are so far out of date.

### Asterisks

'YARDSTICKS for the shareholder' in the report and accounts of Burton, Son & Sanders Ltd, the bakery supplies and grocery group, is a laudable attempt to put the group's progress into perspective.

In fifteen headings, the view is taken through sales volume, trading profits, net profits before tax, cash flow, net dividends, capital expenditure, the percentage rate of tax on profits, preference cover, ordinary dividend, ordinary cover, the high and low of the shares, the earnings yield and dividend yield at the mean quotation, net tangible assets, and pre-tax profits as a percentage of net tangible assets.

All useful information - but with one exception which sticks out like the sorest of sore thumbs. Sales volume is based on 'Index 1960=100' and there, in the 1960 column is 100. But in 1961, 1962, 1963 there are simply asterisks leading to a note which explains that 'This index is in course of computation, having regard to divergent price trends.' A pity.

#### JOSHUA BIGWOOD & SON LIMITED & SUBSIDIARY COMPANIES CONSOLIDATED PROFIT AND LOSS ACCOUNT 12 months ended 31st December, 1962

£ 1961	£		£	£
719		PROFIT of the Group before taking into account the items mentioned below .. .. .		59,869
	7,285	Deduct—		
	881	Depreciation .. .. .	10,063	
	5,010	Auditors' Remuneration and Expenses .. .. .	893	
		Group Pension Scheme Contribution .. .. .	4,990	
	950	Remuneration of Directors in respect of Services to the Group—		
	7,500	Fees .. .. .	£950	
		Remuneration for Management and other Emoluments .. .. .	7,500	
	9,750	Interest on Debenture .. .. .	8,450	
31,376			9,750	34,146
30,675 Loss		PROFIT BEFORE PROVIDING FOR TAXATION .. .. .		25,723
		Deduct—		
		Taxation based on the Profits of the year—		
	1,200	Income Tax .. .. .	9,351	
		Profits Tax .. .. .		
	1,200	Surplus Taxation Reserve (Credit) .. .. .	9,351	
	10,707		545	
9,507 (Cr.)				8,806
21,150 Loss		PROFIT AFTER PROVIDING FOR TAXATION .. .. .		16,917
32,914		Balance from last year .. .. .		2,863
11,761		BALANCE AVAILABLE FOR APPROPRIATION .. .. .		19,780
		Deduct—		
	4,594	Dividends for the 12 months—		
(5%) 4,304		Preference Dividend, less Tax, already paid for the 12 months to 30th September, 1962 .. .. .	4,594	
8,898		Interim Ordinary Dividend of 5 per cent., less Tax, paid 8th February, 1963 .. .. .	4,304	
		Debenture Redemption Reserve Account .. .. .		8,898
£2,863				6,000
		BALANCE CARRIED FORWARD .. .. .		£4,882







# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## History of the Institute

SIR, - I have been asked by the Council to collaborate with others in compiling a history, and should like to ask the hospitality of your columns in getting information.

It would perhaps be interesting in one section of it to say something about 'founder firms'. In order to keep the list to a reasonable size, it would seem appropriate for this purpose to define founder firms as those which can claim direct partnership descent from members who were signatories to the Charter in 1880, or members of the first Council of the Institute. If any such firms existing today (other than those with whom I am already in touch) can claim to be founder firms within that definition, I shall be very glad to hear from them.

Additionally, it would be of interest to have a record of these or other firms who can claim to have been in practice for, say, at least one hundred years. If any such firms existing today (including those who prior to integration were 'Incorporated Accountants') would be good enough to write to me, I should be very glad to hear from them; and if from their records they could give me any interesting information or anecdotes, which would indicate what accountancy was like in those far-off days, it would be specially welcomed.

Yours faithfully,  
H. G. HOWITT.  
(Sir Harold Howitt.)

*The Institute of Chartered Accountants  
in England and Wales,  
City House,  
56/66 Goswell Road,  
London EC1.*

## Business Schools and the Future of the Institute

SIR, - It was a relief to read 'A warning to the profession' (*The Accountant*, March 28th) because far too little attention has been given to the future position of the chartered accountant in industry and the relationship between the profession and industry. The proposed business schools increase the threat to the future position of members in industry. I suspect that this was what spurred the Institute to produce the plan for Diplomas in Management Accounting Services. This Diploma, however, seems obsolete

before it has even got off the ground. No indication has been given as to the means of preparation for the examination for it and since those who take it will be around 30 years old they would surely do better to take a course at one of the proposed business schools.

*The Economist* of January 25th, commenting on the proposed Diploma, said: 'It is a little ironic that now, when the first signs of some erosion of the accountants' hegemony in this field are beginning to appear, the professional bodies should introduce this new qualification . . . in many large companies it is no longer considered necessary for the financial analyst or the executive, the statistician, or the economist to have had an accountant's training.' This seems to put the problem in a nutshell. And so long as the Institute insists on service under articles in a professional office we are not going to get any nearer a solution. Of course service under articles in a professional office is necessary for the man who is going to stay in the profession, but what about the man going into industry - does he want to know all about auditing or trust accounts, for example?

The choice for the Institute is either to adapt itself by alteration to the examination syllabus (as your article suggested) and in the requirements of articulated service and, if necessary, by running joint courses with the proposed business schools, so that it continues to attract the man seeking an industrial career, or else to enter on a regression towards becoming, once again, a society of auditors. There is the issue and it is no use anyone thinking that it will just go away if it is not faced.

Yours faithfully,  
J. D. B. OLIVER.

*Bedford.*

## Management Consultants

SIR, - The experience of other practitioners would be welcome in the following matter.

An engineering company employed a firm of management consultants to advise on the organization of their stores and to suggest improvements in the assembly line methods and layout. The fees concerned were charged to revenue in the company's accounts.

Below is set out an extract from a letter received from the Inland Revenue.

'I should like you to consider whether any capital expenditure was involved in the outlay concerning the management consultants. I have in mind, of course, that the acquisition or improvement of assets (including intangible assets) might be regarded as capital outlay and that where expenditure is incurred once and for all to bring into existence an advantage for the enduring benefit of the business, it would possibly constitute capital outlay for tax purposes.'

We would be interested to hear if similar letters have been received by other accountants.

Yours faithfully,  
E. C. BROWN & BATTS,  
*Chartered Accountants.*  
*London WC2.*

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## REPORT OF THE COUNCIL FOR 1963

*We reproduce below the annual report of the Council for the year 1963 to be presented to the eighty-third annual meeting of The Institute of Chartered Accountants in England and Wales to be held on Wednesday, May 6th, 1964, at 11 a.m. in the Assembly Hall, Church House, Westminster, London SW1.*

### Royal Charters and Bye-laws

1. Twenty-three resolutions for amendment of the supplemental Royal Charter and bye-laws were passed at a special meeting of members held on March 6th, 1963 (paragraph 1 of the last report). On a subsequent poll of all members the resolutions were passed by more than the required majority and resolutions 1, 2, 3, 4, 17 and 23 involving alterations to clauses of the supplemental Royal Charter were confirmed at a special meeting of members on June 5th, 1963. The alterations to the supplemental Royal Charter were allowed by Her Majesty in Council on November 27th, 1963, and the alterations to the bye-laws were allowed by the Lords of Her Majesty's Most Honourable Privy Council on the same date. The text of the resolutions is reproduced in the Appendix<sup>1</sup> together with the report of the scrutineers on the poll.

2. The purpose of the amendments to the supplemental Royal Charter and bye-laws is to give effect to the decisions of the Council on the recommendations in the report of the Committee on Education and Training. The amendments include:

- (1) an alteration in the minimum standard for entry into articles
- (2) the introduction of a system for interviewing principals on first taking an articled clerk
- (3) the power to grant a reduction in service under articles to not less than four years in certain cases
- (4) the introduction of a system of six months' probation for articled clerks
- (5) power for the Institute to make bye-laws requiring articled clerks to attend courses of tuition
- (6) the division of the Final examination into two parts
- (7) provisions for increased study leave.

3. A resolution (Appendix<sup>2</sup>) was passed by members at a special meeting held on May 1st, 1963, for the purpose of amending bye-law 103 (now bye-law 106) to increase from nine to twelve and from twelve to fifteen the maximum number of members of the Investigation Committee and the Disciplinary Committee respectively. The amendments to the bye-laws were allowed by the Lords of Her Majesty's Most Honourable Privy Council on November 27th, 1963.

4. Five resolutions (Appendix<sup>3</sup>) were passed at a special meeting of members on September 4th, 1963, for the purpose of amending the bye-laws relating to subscriptions and the admission fee. Further information about the amendments is given in paragraph 153. The amendments to the bye-laws were allowed by the Lords of Her Majesty's Most Honourable Privy Council on November 19th, 1963.

5. A statement was issued to all members on December 13th, 1963, notifying them of the allowance of the alterations to the Royal Charters and bye-laws referred to in paragraphs 1 to 4. The necessary amendments to section A of the *Members' Handbook* were issued as part of Supplement No. 13 on January 22nd, 1964.

### President and Vice-President

6. At a meeting of the Council held on Wednesday, June 5th, 1963, Mr Robert Pearson Winter, C.B.E., M.C., T.D.,

<sup>1</sup> Not reproduced.

D.L., F.C.A., Newcastle upon Tyne, was elected President for the ensuing year in succession to Mr Percy Frederick Carpenter, F.C.A., London. Mr Wilfrid Guy Densem, F.C.A., London, was elected Vice-President.

### Resignations from the Council

7. The Council has to report with regret the resignation of the following from membership of the Council:

<sup>2</sup>Mr Harold Leslie Layton, M.S.M., F.C.A., London, a member of the Council since 1957.

Mr Victor Walton, F.C.A., Leeds, a member of the Council since 1957.

### New Member of the Council

8. The vacancy on the Council caused by the resignation of Mr Victor Walton reported above has been filled as follows and in accordance with bye-law 13 a resolution confirming the appointment will be submitted to the annual meeting:

Mr Rupert Walton, T.D., F.C.A., Leeds.

In accordance with clause 18 of the Scheme of Integration, the resignation of Mr Harold Leslie Layton (a 'Society's appointed member') does not leave a vacancy to be filled.

### Retirement and Election of Members of the Council

9. The following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of the members in practice (other than the 'Society's appointed member' whose position is governed by clause 18 of the Scheme of Integration) have been referred to the district societies concerned and the Council recommends the re-election of the eleven members:

Mr Joseph Howard Bell, B.A., F.C.A., Manchester.

<sup>2</sup>Mr William Wallace Fea, B.A., F.C.A., Smethwick.

<sup>2</sup>Mr Stanley Dixon, M.A., F.C.A., Birmingham.

Mr John Godfrey, M.A., F.C.A., London.

Sir Sydney Harold Gillett, Bt., M.C., F.C.A., London.

<sup>2</sup>Mr Leonard Cecil Hawkins, C.B.E., F.C.A., Richmond, Surrey.

<sup>2</sup>Mr James Stanley Heaton, F.C.A., Keighley.

Mr Walter Edmund Parker, C.B.E., F.C.A., London.

Sir Thomas Buston Robson, M.B.E., M.A., F.C.A., London.

Mr Alfred Gordon Thomas, F.C.A., Sheffield.

Mr Mark Wheatley Jones, B.COM., F.C.A., Manchester.

### Council and Committee Meetings

10. During the year 1963 the Council met on fifteen occasions, on twelve of which both special and ordinary meetings were held. The numbers of meetings of committees and subcommittees are set out in the Appendix<sup>4</sup>.

### Hospitality

11. The President's Dinner was held in the Oak Hall on the evening of May 1st, 1963, the day of the annual meeting of the Institute.

12. The President and members of the Council enter-

<sup>4</sup> Denotes 'Society's appointed member'.

<sup>5</sup> Member not in practice.

tained The Lord Mayor of London, Sir Ralph Perring, at a luncheon in the Oak Hall on October 2nd, 1963. Other guests were Mr Alderman and Sheriff G. S. Inglefield, T.D.; Mr B. G. Arthur, C.B.E. (Chief Commoner); Mr Deputy Rodway Stephens, F.C.A. (Chairman, Coal and Corn and Finance Committee); Mr Leslie B. Prince, M.A., F.C.A., C.C. (Chairman, Rates Finance Committee); Mr K. R. Cork, F.C.A., C.C. (Chairman, Music Committee); Mr Deputy R. J. Hayward, C.B.E., R.D., F.C.A. (Chairman, Establishment Committee); Mr E. K. Stewart-Smith, M.B.E. (City Chamberlain); Mr E. H. Nichols, T.D., B.A., LL.B. (Town Clerk); Mr Paul C. Davie, B.A. (Remembrancer); Mr R. S. Walker, F.R.I.C.S. (City Surveyor); Mr E. G. Chandler, F.R.I.B.A. (City Architect); Brigadier R. H. S. Popham, O.B.E. (Swordbearer); Brigadier P. Clapham, O.B.E. (Common Cryer and Serjeant-at-Arms); and Colonel G. E. P. Hutchins, D.S.O. (City Marshal).

13. The President and Vice-President, accompanied by certain members of the Council and one of the Joint Secretaries, have entertained guests at luncheons at the Dorchester Hotel on April 24th, July 25th and November 27th, 1963, and on February 19th, 1964.

### Banquet

14. A banquet was held at Guildhall on Tuesday, April 30th, 1963, at which the President (Mr Percy F. Carpenter, F.C.A.) presided. The speakers included the Rt Hon. the Lord Mayor of London, Sir Ralph Perring; the Rt Hon. Lord Radcliffe, C.B.E.; Monsieur F.-M. Richard and Sir Milner Holland, C.B.E., Q.C. Other guests included members of Her Majesty's Government, foreign ambassadors to this country, representatives of civic authorities, the Church, the Bench and overseas accountancy bodies. The proceedings and the names of the guests who attended were reported in *Accountancy* for May 1963 [and *The Accountant* of May 11th, 1963].

### Business Sessions at the Annual Meeting

15. On Wednesday, May 1st, 1963, the annual meeting was followed for the first time by three business sessions. Topics and speakers at the three discussions were as follows:

*The Institute's Statement U2 - Stock-in-trade and Work in progress*

The discussion was opened by Mr H. A. Benson, C.B.E., F.C.A., and Mr W. E. Parker, C.B.E., F.C.A., with the President in the chair.

*Taxation, including capital gains and the implications of cases decided during the year*

The discussion was opened by Mr E. N. Macdonald, D.F.C., F.C.A., and Mr J. S. Heaton, F.C.A., with the Vice-President in the chair.

*Accountancy and the decimalisation of the currency*

The discussion was opened by Mr L. C. Hawkins, C.B.E., F.C.A., Mr W. W. Fea, B.A., F.C.A., and Mr W. F. Edwards, F.C.A., with Sir Thomas Robson, M.B.E., M.A., F.C.A., in the chair.

### Membership Changes

16. The number of new members admitted during the year 1963 was 1,732. Six former members of the Institute resumed membership through revocation of exclusion, three through re-admission after resignation and one after a period of suspension from membership. Under clause 22 of the supplemental Royal Charter, forty-two members were excluded (twenty-nine of them for non-payment of subscription) and two members were suspended from membership for a period of two years. The resignations of fifty-one members and the deaths of 348 members were reported.

17. The number of members of the Institute on January 1st, 1964, was 37,880 compared with 36,581 on January 1st, 1963, an increase of 1,299. A table showing the growth of membership of the Institute during the past five years is given in the Appendix<sup>1</sup>. This replaces the former table

which showed in detail the changes in the categories of membership during the previous calendar year.

18. During the year 1963 three applications for revocation of exclusion from membership were refused and two applications for admission to membership were refused. The re-admission of one former member failed to become effective by reason of non-payment of the prescribed sum by the given date. The admission of one member became void under bye-law 41 (now bye-law 40) through non-payment of the admission fee. This applicant was later admitted and is included in the total of 1,732 in paragraph 16 above.

### Deaths of Members

19. The names of the members who died were published in *Accountancy* and *The Accountant* and included:

Mr Harold Mead Moore, M.B.E., M.C., F.C.A., Basingstoke, a member of the Council from 1938 to 1947 and Chairman of the Finance Committee from 1945 to 1947.

Miss Ethel Watts, B.A., F.C.A., London, the first woman to qualify by examination as a member of the Institute.

### Fellowship

20. During the year 1963 the number of associates who became fellows on the basis of five years' practice was 146 (compared with 120 in 1962). 1,178 associates automatically became fellows on January 1st, 1964 (compared with 1,086 on January 1st, 1963).

### Use of the Letters F.S.A.A.

21. During the year 1963 the Council approved applications under clause 4 (b) of the Scheme of Integration from three incorporated accountant members A.S.A.A. to use the letters F.S.A.A. (compared with five in 1962). Sixty-eight incorporated accountant members A.S.A.A. automatically became incorporated accountant members F.S.A.A. on January 1st, 1964 (compared with fifty-four on January 1st, 1963).

### Incorporated Accountant Members

22. A letter in the following terms was sent to all members by the President on March 10th, 1964, and published in *Accountancy* for March 1964 [and *The Accountant* of March 14th, 1964]:

'Since the Scheme of Integration became effective, representations have been made to the Council on a number of occasions that the distinction which prevents certain former members of The Society of Incorporated Accountants who were admitted to membership of the Institute from calling themselves chartered accountants should be brought to an end.

'These representations were referred to a special committee for examination. The Council has now considered the outcome of this examination (during the course of which the views of committees of district societies were sought) and has decided regretfully that it cannot support the desired change in designation.

'The Council has reached this conclusion for the same reason as that which led to the decision to create a new class of membership of the Institute at the time of integration - namely, that a number of the members of The Society of Incorporated Accountants had not been trained in the offices of accountants in public practice in the United Kingdom or Ireland.

'The English, Scottish and Irish Institutes of Chartered Accountants attached the greatest importance to the preservation of the fundamental principle that training in public accountancy in the United Kingdom or Ireland was a prerequisite for admission to membership. In that situation it was agreed by all three Institutes and accepted by the Society that for those members of the Society who had not received this training (approximately one-fifth of the Society's membership) there should be created a class of members of this Institute who would use the

<sup>1</sup> Not reproduced.

designation "Incorporated Accountant" and the letters F.S.A.A. or A.S.A.A. Nevertheless, it was agreed to include a provision in the Scheme of Integration under which an incorporated accountant member who, after passing the required examination, had served continuously for not less than three years in England and Wales, either in partnership with or on the staff of a practising chartered or incorporated accountant, became eligible for election as an associate of the Institute.

In the course of his address to the special meeting on February 19th, 1957 (when the Scheme of Integration was adopted), the then Vice-President stressed the fundamental principle involved and expressed the Council's regret that it had been necessary to introduce a new class of membership. At the same time he pointed out that nearly all the members of the Society concerned were either members of The Institute of Municipal Treasurers and Accountants, or if they were overseas, of the local societies of accountants in the countries in which they were resident and that for most of them their qualification as incorporated accountant was additional to their other qualification.

Both at the special meeting and in the subsequent poll, the members of the Institute endorsed the Council's proposals. Objections directed mainly against the creation of a new class of members were made to the Privy Council. These objections were not successful.

Since the Scheme of Integration became effective in 1957, the Council has caused to be made a thorough review of the Institute's long standing system of education and training for entrants to the profession (Report of the Committee on Education and Training, 1961) and has not been apprised of any reason to change its view of the importance of the fundamental principle referred to above. Although considerable thought has been given to finding a way to meet the wishes of incorporated accountant members, the Council has been forced reluctantly to the conclusion that it could only do so by abandoning the principle considered by members in 1957 to be a basic condition for acceptance of the Scheme. The Council has decided that it cannot abandon this fundamental principle and accordingly regrets that it is unable to recommend alterations to the Royal Charters and bye-laws for the purpose of changing the designation of incorporated accountant members to that of chartered accountants.

#### Incorporated Accountant members becoming Associates

23. During the year 1963 the Council approved applications from twenty-three incorporated accountant members to become associates in accordance with clause 6 of the Scheme of Integration. (The number in 1962 was six.)

#### Categories of employment of Members not in practice

24. A questionnaire was circulated on December 13th, 1963, to all members shown as being not in practice in the United Kingdom and to all members shown as residing overseas in order to ascertain their various categories of employment.

#### List of Members

25. The 1964 *List of Members* was published on March 23rd, 1964. Distribution to those members who completed the reply card stating that they wished to have a copy will be completed early in April. A member who wishes to receive a copy of the 1965 *List of Members* is asked to complete and return the reply card which accompanies this report.

26. In the interests of members and as a matter of public relations, the Council has continued the practice of distributing the *List of Members* to banks, inspectors of taxes, libraries and others. The number of the 1963 *List* so distributed was 11,579.

#### Members' Handbook

27. Since the last report the following supplement to the *Members' Handbook* has been issued:

*Supplement No. 13*, issued on January 22nd, 1964, containing:

Amendments to section A to incorporate all the alterations made to the Royal Charters and bye-laws during 1963.

Section H<sub>1</sub> containing *Notes for the Guidance of Prospective Principals*.

Additions and amendments to sections P and Q.

28. The Part 2 binder of the *Members' Handbook* was distributed to members between the end of April and the beginning of June 1963, the development of the handbook having reached the stage when there was little room for further contents in the Part 1 binder. Part 1 of the handbook consists of the Royal Charters and bye-laws and other sections of a domestic nature and Part 2 consists of technical documents.

#### Disciplinary Action

29. Details are given in the Appendix<sup>1</sup> of the findings and decisions of the Disciplinary Committee, and where applicable of the Appeal Committee, since the last report, on formal complaints preferred by the Investigation Committee in accordance with its duty under bye-law 108. The findings and decisions have been or will be published in *Accountancy* and *The Accountant*.

#### Council Nominations to Other Bodies

30. Since the last report the following members have been nominated by the Council to serve on other bodies as representatives of the Institute. This list does not however include nominations of members by district societies to serve on local bodies as representatives of the Institute.

*Festival of the City of London 1964*

The President as a member of the Council for the Festival of the City of London for 1964.

*Royal Society of Arts*

Mr D. A. Clarke, LL.B., F.C.A., as the representative of the Institute on the Examinations Committee of the Royal Society of Arts.

*London Chamber of Commerce*

Mr G. R. Appleyard, F.C.A., as one of the two honorary auditors of the London Chamber of Commerce.

*United Kingdom Automation Council*

Mr S. R. Harding, F.C.A., and Mr R. O. A. Keel, F.C.A., as the representatives of the Institute on the United Kingdom Automation Council for the year 1964.

*United Kingdom Advisory Committee on Education for Management*

Mr W. W. Fea, B.A., F.C.A., as the representative of the Institute on the United Kingdom Advisory Committee on Education for Management for a further period of one year.

*University of Hull*

Mr E. G. Chadwick, A.C.A., as the representative of the Institute on the Court of the University of Hull.

*British Standards Institution*

Mr C. I. Bostock, M.A., F.C.A., as the representative of the Institute on a Technical Committee of the British Standards Institution.

#### Honours and Decorations

31. The Council congratulates the following members who have received honours and decorations since the last report:

##### Knight Bachelor

H. A. Benson, C.B.E., F.C.A., N. R. R. Brooke, C.B.E., F.C.A., E. M. Clayson, F.C.A.

##### C.B.E.

W. H. G. Cocks, F.S.A.A., R. Stephens, F.C.A.

<sup>1</sup> Not reproduced.

**O.B.E.**

J. E. Hawkins, LL.B., F.C.A., W. T. Jarrett, F.C.A., H. J. Lester, F.C.A., G. W. Totman, B.COM., F.C.A., B. Wilton, F.C.A.

**M.V.O.**

S. L. Forwood, F.C.A.

**M.B.E.**

J. H. Noyes, F.C.A., C. T. H. Watson, B.A., F.C.A.

**T.D.**

B. F. C. Burton, M.A., A.C.A., J. S. Douglass, A.C.A., E. H. Head, F.C.A., J. A. Hutchings, M.A., A.C.A., D. M. Lintott, F.C.A., J. G. Price, F.C.A.

**V.R.D.**

F. H. Conning, F.C.A.

**National Public Service**

32. Since the last report the following members have accepted appointments of national importance. The list does not include numerous appointments of importance in local or regional spheres of public service.

Mr J. Ainsworth, C.B.E., M.COM., F.S.A.A.

appointed by the Director-General of the World Health Organization, to membership of an international mission to advise the Government of Kenya on the development of public water supplies.

Mr W. L. Barrows, LL.D., F.C.A.

appointed by the Minister of Transport, to membership of a committee to inquire into the licensing of road goods transport.

Sir Henry Benson, C.B.E., F.C.A.

appointed by the Chancellor of the Exchequer, to membership of a committee to inquire into the practical effects of the introduction of a form of turnover tax, either in addition to existing taxation, or in substitution either for the purchase tax or the profits tax or both.

appointed by the British Employers Confederation, the Federation of British Industries and the National Association of British Manufacturers, to be a joint-commissioner to advise on the constitution of a national industrial organization to embrace all three bodies.

Mr A. G. B. Burney, O.B.E., B.A., F.C.A.

appointed by the Minister of Transport, to membership of the Shipbuilding Credit Advisory Committee.

Colonel D. H. Cameron of Lochiel, T.D., B.A., D.L., F.C.A. appointed by Her Majesty the Queen, as a Crown Estate Commissioner for a further period.

Sir William Carrington, F.C.A.

appointed by the Minister of Transport, to investigate and establish the appropriate figures for the British Railways Board to give to the 'Transport Users' Consultative Committees.

Mr J. W. Hough, O.B.E., F.S.A.A.

appointed by Her Majesty the Queen, as a Commissioner under the Public Works Loan Act, 1875, for a further period of four years.

Mr A. Hughes Jones, F.C.A.

appointed by the Prime Minister, to membership of the reconstituted Council for Wales and Monmouthshire for the period ending April 30th, 1966.

Dr A. H. Marshall, C.B.E., B.SC.(ECON.), PH.D., F.S.A.A.

appointed by the Secretary of State for the Colonies, to membership of the Fiscal Commission for Kenya.

Mr G. T. Meller, C.B.E., F.C.A.

appointed by Her Majesty the Queen, to membership of the Transport Tribunal.

Mr W. Bertram Nelson, C.B.E., F.C.A.

appointed by the Minister of Education, to membership of the Governing Body of the Further Education Staff College.

Mr S. John Pears, F.C.A.

appointed by the Minister for Science, to membership of the United Kingdom Atomic Energy Authority for a further period of three years.

Sir Herbert Pollard, C.B.E., F.S.A.A.

appointed by the Minister of Housing and Local Government, to membership of a committee to assess the impact of rates on households of different income groups and in different parts of Great Britain, with special regard to any circumstances likely to give rise to hardship.

Sir Thomas Robson, M.B.E., M.A., F.C.A.

appointed by Her Majesty the Queen, to membership of the Transport Tribunal.

Mr J. D. Russell, M.A., F.C.A.

appointed by the Chancellor of the Exchequer and the Minister of Aviation, to membership of an inquiry to investigate the circumstances in which the prices agreed by the Ministry of Aviation for a contract for the supply of guided weapons may have allowed an excessive profit to the firm concerned; and to recommend whether any changes in organization or procedure are necessary to ensure better assessment of prices for similar contracts in future.

Mr J. M. A. Smith, F.C.A.

appointed by the President of the Board of Trade, to part-time membership of the Monopolies Commission for a period of three years.

Mr P. G. Walker, F.C.A.

appointed by the President of the Board of Trade, to part-time membership of the Monopolies Commission for a period of three years.

**Library**

33. *Activity.* The following figures show the extent to which the library has been used in recent years:

Year	Attendances	Books lent
1959	12,332	6,710
1960	12,143	6,922
1961	14,937	7,270
1962	14,441	7,833
1963	14,573	8,252

34. *Collection of early books.* A number of notable additions have been made to the Institute's collection of early books.

35. *The Earliest Books on Book-keeping 1494 to 1683.* The booklet *The Earliest Books on Book-keeping 1494 to 1683, Some Notes on the Origins of Double-entry book-keeping* was published by the Institute in September 1963. Intended for sale at exhibitions of books from the Institute's collection, it incorporates as a frontispiece a reproduction in colour of the contemporary portrait of Luca Pacioli. The price is 1s or 1s 6d post free.

36. *Exhibitions of early books.* An exhibition entitled *European Accounting History* was held at Edinburgh under the auspices of The Institute of Chartered Accountants of Scotland at the same time as the European Congress of Accountants in September 1963. The Institute loaned sixteen books and an enlargement in colour of the contemporary portrait of Luca Pacioli. Special exhibitions, by invitation from the universities concerned, have been held at Sheffield University, October 7th to 19th, 1963, at Keele University, October 21st to November 3rd, 1963, and at Bristol University, February 10th to 22nd, 1964.

37. *The Librarian's Digest of Articles.* The Librarian's Digest of Articles has been available for use in the library since 1954. It consists of a classified list of articles, notes and notices selected from sources most suited to the needs of members. A copy is maintained at each of the libraries of district societies and branches. A notice relating to the Digest which appeared in *Accountancy* for August 1963 was sent to all members on January 22nd, 1964. The Digest is available to members at a nominal charge of 10s per year; 1,266 members have subscribed to date.

38. *Short List.* A new edition of the *Short List* of books dated August 1963 is available to members, without charge,



from the Librarian on receipt of an addressed label. (This supersedes the August 1961 edition and the third cumulative supplement issued in June 1963.) The *Short List* is sent to each new member on admission.

### Appointments Register

39. The number of members who were enrolled on the appointments register in 1963 was less than in the previous year. There was however a considerable increase in the number of vacancies notified, which continued to show a very wide demand for young members. Assistance in finding employment for the many members over 45 years of age who make use of the register is especially welcome.

### Annual Church Service

40. The annual church service was held at 1 p.m. on Wednesday, July 3rd, 1963, at St Margaret's Church, Lothbury, EC2, and was attended by the President and members of the Council as well as by a number of other members of the Institute. The service was conducted by the Rector, the Rev. A. John Drewett, M.A., B.Sc., and the Lesson was read by the President. The Address was given by Canon T. R. Milford, M.A., Master of the Temple. The collection for the benefit of The Chartered Accountants Benevolent Association amounted to £38.

### Examinations in 1963

41. Examinations were held in May and November 1963, the Preliminary examination in London and Manchester and the Intermediate and Final examinations in London, Birmingham, Cardiff, Leeds, Liverpool, Manchester and Newcastle upon Tyne; in addition the Intermediate examination was held in Bristol and Nottingham. The following were the results:

	Passed	Failed	Total Candidates	Comparative totals 1962
Preliminary ..	103	253	386	399
Intermediate ..	2,258	2,429	4,687	4,347
Final ..	1,741	1,860	3,601	3,468
Totals ..	4,102	4,572	8,674	8,214

The Council wishes to place on record its appreciation of the administrative work undertaken by district societies in connection with examinations.

42. *Examination prizes and certificates of merit.* The names of the candidates awarded prizes and certificates of merit in the examinations held in 1963 are given in the Appendix<sup>1</sup>. The President presented prizes and certificates of merit in the Oak Hall. Tea was provided for the candidates, their relatives and friends and they were afforded the opportunity of seeing the Council Chamber and the Library.

43. *Finance Act, 1963.* At its meeting on June 5th, 1963, the Council authorized the publication of the following statement:

#### Finance Act, 1963

'In view of the numerous alterations proposed in the Finance Bill 1963, including changes relating to personal allowances and reliefs and to Schedule A, the Examination Committee has decided that in the special circumstances arising candidates at the Intermediate and Final examinations in November 1963 will not be expected to have any detailed knowledge of the Finance Act, 1963, in so far as it relates to income tax, surtax and profits tax.'

The decision related to the November 1963 examinations only; no statement has been made in respect of later examinations.

44. *South African Special Final examination.* The South African Special Final examination was held in South Africa and Southern Rhodesia in May 1963. Of the fifteen candidates one was successful in the examination. The examination which was conducted for many years by The Society

of Incorporated Accountants, may be taken only by certain students of the Society who registered with the Institute under the Scheme of Integration. It will be held in May each year until 1967, subject to the right of the Council under the Scheme to discontinue the examination before that date.

### Preliminary Examination

45. The Preliminary examination was held for the last time in November 1963. Candidates wishing to commence articulated service are required to meet the minimum standard for entry into articles. Details of the new minimum standard were set out in the Council statements of August 1st and November 7th, 1962 (reproduced in the Appendix to the last report) and have been incorporated in the booklet *General Information and Syllabus of Examinations*.

46. At its meeting on February 5th, 1964, the Council placed on record resolutions conveying its thanks to Mr F. S. MacNalty and Dr A. C. Smith for the invaluable services which they have rendered to the Institute in connection with its Preliminary examination from 1931 to 1963 and 1946 to 1963 respectively.

### Major Changes in Examinations

47. Arising from the alterations to the Royal Charters and bye-laws referred to in paragraphs 1 and 2 of this report a booklet was sent in December 1963 to all practising members explaining the main changes in examinations and other matters which had been brought into operation (see also paragraph 55 of this report). The publication should be read in conjunction with the November 1963 examinations edition of the booklet *General Information and Syllabus of Examinations*. Under the powers of bye-law 124 the Council has issued a number of regulations (Appendix<sup>2</sup>) relating to examinations and other matters.

### Applications under bye-laws governing Examinations and Exemptions

48. Particulars of applications determined in the year ended December 31st, 1963, under bye-laws governing examinations and exemptions are given in the Appendix<sup>1</sup>.

### Transfer from Old to New Intermediate examinations

49. At its meeting on September 4th, 1963, the Council authorized for publication a statement relating to special arrangements for candidates unsuccessful in the May 1964, November 1964 and May 1965 old Intermediate examinations. The statement was published in *Accountancy* for September 1963 [and *The Accountant* of September 14th, 1963].

### Eligibility for the Old Final examination

50. Former bye-law 86 remains in force to govern eligibility for the old Final examination. The bye-law provides that a student may not present himself for the Final examination earlier than during the last three months of his articulated service, nor until at least two years have elapsed since he passed the Intermediate examination. A proviso gives the Council discretion to reduce the interval of two years. On March 4th, 1964, the Council decided that it would normally exercise its discretion on application to allow a student who had passed the Intermediate examination to apply to sit for the old Final examination at any time after the completion of articulated service.

### Examination Fees

51. At its meeting on March 4th, 1964, the Council authorized the issue of the following statement which was published in *Accountancy* for March 1964 [and *The Accountant* of March 14th, 1964], in connection with the fees payable for admission to the new Intermediate and Final examinations:

'The Council has decided that the fees payable for the

<sup>1</sup> Not reproduced.



new Intermediate, Final (Part I) and Final (Part II) examinations should be as follows:

	£	s	d
New Intermediate examination .. ..	7	7	0
New Final (Part I) examination .. ..	8	8	0
New Final (Part II) examination .. ..	9	9	0
The fees for the old Intermediate and Final examinations remain as at present namely, £10 10s 0d and £12 12s 0d respectively. <sup>1</sup>			

#### Examination Reading Lists

52. At its meeting on December 4th, 1963, the Council authorized for publication reading lists for the following papers of the new examinations:

- Intermediate: General Paper.
- Final (Part I): English Law II.
- Final (Part II): Advanced Accounting III.

General Paper

Details were published in *Accountancy* for December 1963 [and *The Accountant* of December 14th, 1963].

#### The Howitt Prize

53. Chartered Accountants Charities Limited has accepted appointment as trustee of The Howitt Prize Fund, a charitable foundation of £1,500 created by Sir Harold Gibson Howitt, G.B.E., D.S.O., M.C., D.C.L., LL.D., D.L., F.C.A. The Council has acknowledged with gratitude this gift by Sir Harold Howitt, a member of the Council from 1931 to 1961 and President for the year 1945-46. An announcement of the terms and conditions of the prize is to be deferred, with Sir Harold Howitt's approval, until the introduction of the new Intermediate and Final examinations.

#### The Liverpool Society Intermediate Prize

54. Chartered Accountants Charities Limited, as trustee of The Institute Prize Trust Fund, has accepted a gift of £100 Liverpool Corporation 5½ per cent Stock 1974-76 from the Committee of the Liverpool Society of Chartered Accountants on the understanding that at least the equivalent of the gross income thereon will be made available to that committee for award in prizes at the Intermediate examination.

#### Major changes in Articled Service

55. Following the alterations to the Royal Charters and bye-laws referred to in paragraphs 1 and 2 of this report an explanatory booklet was sent in December 1963 to all practising members stating the main changes brought into operation in service under articles and other matters (see also paragraph 47 of this report). The publication should be read in conjunction with the November 1963 examinations edition of the booklet *General Information and Syllabus of Examinations*. The Council has issued regulations under bye-law 124 (Appendix<sup>1</sup>) in regard to service under articles and other matters.

#### Consent to take an Articled Clerk

56. Since January 1st, 1964, every member must under the provisions of bye-law 48 obtain the consent of the Articled Clerks Committee to his taking an articled clerk for the first time. Every such member is required to attend an interview with one or more members from a panel appointed by the Council. For the guidance of applicants the Council published in December 1963 *Notes for the Guidance of Prospective Principals*. In view of their interest to all members, the Council decided that the notes should be issued to all members on January 22nd, 1964, as section H 1 of the *Members' Handbook*.

#### Applications under bye-laws relating to Service under Articles

57. Particulars of applications determined in the year

ended December 31st, 1963, under bye-laws relating to service under articles are given in the Appendix<sup>1</sup>.

#### Articles of Clerkship

58. *Registrations*. During the year 1963 the number of articles of clerkship registered was 3,549 compared with 3,293 in 1962.

59. *Forms of articles*. The printed forms of articles provided by the Institute have been revised and are now available in two standard sets as follows:

- (a) University type articles - for use where the parties contract that during the currency of the articles the clerk will attend a university in the United Kingdom for the purpose of following any degree course.
- (b) Non-university type articles - for use where the parties do not intend as in (a) above but where, as is usual, service will be for an uninterrupted term.

A printed form of endorsement of articles is also available under bye-law 64 (a) to permit the parties to articles to agree a retrospective reduction from five to four years in the term of service where the clerk satisfies the age requirement and the higher standard of general education referred to in that bye-law.

#### Recruitment

60. The Council has continued its efforts, with the assistance of members nominated by the district societies, to capture the interest of suitable young men and women in accountancy as a career. Personal contact with those responsible for advising students has in 1963 been continued with special reference to both the established and the newer universities. Members of the Council and of the staff of the Institute have at the request of university appointments departments increased the number of visits made to address students or to interview them individually.

61. During the year 1963 over 1000 interviews by appointment were conducted at the offices of the Institute or at universities with United Kingdom students or their parents, an increase of some 300 over 1962. About 300 students from outside the United Kingdom were interviewed. Of those who sought introductions to members in Greater London, 458 United Kingdom students and 47 overseas students were placed as a direct result of such introductions. The number of overseas students thus placed was very small in relation to the 300 students from abroad who entered into articles during the year. Members willing to accept articled clerks from overseas are invited to register their names with the Institute.

62. District societies, branches, groups and individual members have again given active assistance. The Institute has been represented at careers conventions and exhibitions and in several areas meetings have been held for pupils or for members of the staff of local schools. Interviews with parents and prospective articled clerks have been conducted by members nominated by district societies and branches to give such advice. These efforts contribute materially to keeping pupils and their advisers informed of the advantages of a career as a chartered accountant.

63. Advertisements and contributed articles have appeared in the principal careers guides for university students and school leavers and in the careers supplements published by some provincial papers. Advertisements have also appeared in the school magazines of all those schools represented on the Headmasters' Conference which accept advertisements and in the school magazines of some of the county grammar schools. This means of publicity is now being extended to include some of the magazines of universities in England and Wales.

#### Education

64. Under the guidance of the Education Committee the Council's policy of promoting courses of oral tuition for articled clerks has been carried out with the assistance of district societies, the Ministry of Education and the principals and staffs of colleges of further education. A

<sup>1</sup> Not reproduced.

statement authorized by the Council for publication at its meeting on November 6th, 1963, is reproduced in the Appendix<sup>1</sup>. [See *The Accountant* of November 16th, 1963.]

65. Members of the Council and officials of the Institute have taken part in planning a one week course to be held in July 1964 at the Further Education Staff College, Blagdon, Somerset, on the education and training of accountancy students. The College proposes to extend invitations to attend the course to principals of colleges of further education, to members of university teaching staffs, to representatives of the correspondence tutorial establishments and to non-teaching members of the Institute concerned with the education of articled clerks.

66. The prescribed provision in articles relating to study leave has been modified for those entering articles on or after November 27th, 1963, to encourage attendance at courses of oral tuition. The new forms of articles are referred to in paragraph 59 of this report.

67. In December 1963 the Education Committee appointed a small sub-committee to examine the implications for the Institute of the Report of the Committee on Higher Education (the Robbins Committee) and to make recommendations.

68. At the request of the Further Education Staff College, Blagdon, the Institute provided a lecturer during a three week course in March 1964 for headmasters, technical college principals and others concerned with education on problems of transfer from school to employment and to further education after the sixth form.

### The Universities and the Accountancy Profession

69. *Relations with the universities.* Under the direction of the Education Committee further visits have been made to foster good relations between the Institute and the universities. Particular attention has been given during 1963 to the new foundations. In addition, there has been a considerable increase in the number of university visits to advise potential articled clerks (see paragraph 60).

70. *Bye-law 88 (a).* Particulars of applications determined in the year ended December 31st, 1963, under bye-law 88 (a) are given in the Appendix<sup>2</sup>.

71. *Approved university degree courses.* At its meeting on April 30th, 1963, the Council approved under bye-law 62 (now bye-law 68) revised courses at the universities of Birmingham, Leeds, Liverpool, Southampton and Wales to be introduced with effect from October 1963.

72. *Institute booklet.* The Institute's booklet formerly entitled *Approved Universities Degree Courses (AC 11)* has been revised and renamed *University Degree Courses during Service under Articles (AC 11)* and was published in January 1964. This booklet explains the Institute's regulations regarding articles and examinations not only as they affect the joint standing committee's scheme but also in relation to any degree obtained at a United Kingdom university. The major change in so far as the joint standing committee's scheme is concerned relates to the Council's acceptance of the recommendation contained in the report of the Committee on Education and Training that an articled clerk who takes a degree course under bye-law 68 (formerly bye-law 62) should not be allowed to count as part of his service under articles any periods spent in the principal's office during university vacations.

73. *Joint standing committee's booklet.* Details of the degree courses approved by the Council under bye-law 68 (formerly bye-law 62) are given in the booklet *The Universities and the Accountancy Profession* issued by the Joint Standing Committee of the Universities and the Accountancy Profession. The current edition dated May 1963 covers the university session October 1964 to July 1965.

74. *Chairman of the Joint Standing Committee.* Dr J. M. Whittaker, Vice-Chancellor of the University of Sheffield, who has been chairman of the Joint Standing Committee of the Universities and the Accountancy Profession since

1953, is retiring from the chair at the conclusion of the joint standing committee's conference to be held at Nottingham in April 1964.

### Essay Competition

75. The response to the essay competition for 1963 on the subject of *My work as an Articled Clerk* was encouraging and one of the winning essays has been published in leaflet form for distribution on appropriate occasions. The prize of twenty guineas for the best essay written by a graduate was awarded to Mr A. H. Vause (Leicester), and the prize of twenty guineas for the best essay written by a non-graduate was shared equally between Mr K. M. Thorogood (Salisbury) and Mr A. L. B. Sacks (London). Two prizes of twenty guineas each are again being offered for a similar competition restricted to articled clerks. As announced in *Accountancy* for March 1964, the subject for 1964 is *This will be My Life*.

### Students' Societies

76. On March 3rd, 1964, the President and certain members of the Council met the liaison committee of the Union of Chartered Accountant Students' Societies to discuss informally topics of interest to articled clerks.

### Grants

77. Articled clerks may, at the discretion of the local education authority, receive grants towards tuition expenses. It is now the practice of the Institute when articles are returned after registration to draw attention to the availability of these grants.

### Summer Courses

78. 1963. Two summer courses were held in 1963 as follows:

(a) *Oxford.* A summer course held at Christ Church and Merton College from July 11th to 16th, 1963, was attended by 246 members of whom 129 were in practice, 32 were engaged in industrial, commercial and other occupations and 85 were engaged with public accountants. The papers presented were as follows: *Back duty - culpability, penalties and settlements*, by Mr P. A. Smith, A.C.A.<sup>1</sup>; *Control of Stock*, by Mr R. V. Atherton, F.C.A.<sup>2</sup>; and *Accounting principles and business reality*, by Professor H. C. Edey, B.COM., F.C.A.<sup>3</sup>. In addition informal talks were given by Sir Thomas Robson, M.B.E., M.A., F.C.A., and by Sir Harold Gillett, Bt, M.C., F.C.A.

(b) *Cambridge.* A summer course held at Emmanuel College from September 18th to 22nd, 1963, was attended by 178 members of whom 57 were in practice, 86 were engaged in industrial, commercial and other occupations and 35 were engaged with public accountants. The papers presented were as follows: *Increased productivity - the role of finance*, by Mr S. R. Harding, F.C.A.<sup>4</sup>; *Financing an accountant's practice*, by Mr N. McLaren, F.C.A.<sup>5</sup>; and *The group accountant*, by Mr J. W. G. Frith, B.A., F.C.A.<sup>6</sup>.

Copies of the papers were made available for sale immediately following the courses. Sets of papers given at each of the courses are available, price 5s a set post free.

79. 1964. Summer courses are to be held at Christ Church and Oriel College, Oxford, from July 9th to 14th, 1964, and at Emmanuel College, Cambridge, from September 9th to 13th, 1964. An application form was sent to all members of the Institute on February 14th, 1964.

<sup>1</sup> Reproduced in *The Accountant*, July 20th, 27th and August 3rd, 1963.

<sup>2</sup> Reproduced in *The Accountant*, August 10th and 17th, 1963.

<sup>3</sup> Reproduced in *The Accountant*, August 24th and 31st, 1963.

<sup>4</sup> Reproduced in *The Accountant*, October 5th and 12th, 1963.

<sup>5</sup> Reproduced in *The Accountant*, September 28th, 1963.

<sup>6</sup> Reproduced in *The Accountant*, October 19th and 26th, 1963.

<sup>1</sup> Not reproduced.

### Electronic Data Processing Courses

80. To assist members in the problems which face both management and auditor in relation to control of the processing of electronic data, the Council has decided to institute a series of residential courses. A successful experimental course was held at St Leonards-on-Sea from January 27th to 31st, 1964, under the direction of Mr D. W. Hooper, M.A., F.C.A. Attendance was confined to potential lecturers and group leaders. The Council gratefully acknowledges the assistance of the National Coal Board in making Mr Hooper's services available and expresses its appreciation of the work undertaken by him and his staff in preparing the papers for the course. The Council also records its appreciation of the work of the Taxation and Research Committee and all members who took part in this experiment. Residential courses will now be arranged in the light of the experience gained from the January course. A notice was sent to all members on March 10th, 1964, giving details of the first series of courses to be held from May 21st to 28th, 1964, in Brighton.

### District Societies of Chartered Accountants

81. *Membership.* Arising from the resolutions passed by members at a special meeting held on September 4th, 1963 (Appendix<sup>1</sup>), district societies were asked to amend their rules so that a member could apply to join the district society of his choice without payment of a local subscription. A letter was sent on December 13th, 1963, to each member in England and Wales, the Channel Islands and the Isle of Man with a reply paid card asking him to state whether he was already a member of a district society or, alternatively, which society he wished to join. A member may join the district society most convenient to him: he is not restricted to the society which would seem appropriate by reference to the details shown against his name in the *List of Members*. The replies received to the letter have been passed to district societies.

82. *President's visits.* The President, accompanied by one of the Joint Secretaries, has attended annual dinners or other annual functions of the district societies and has met students at informal meetings during his visit. Members of the Council have represented the Institute at dinners and other functions held by branches and students' societies.

83. *Annual conference.* The annual meeting of Presidents and honorary secretaries of district societies with representatives of the Council took place on November 7th, 1963.

84. *London and District Society of Chartered Accountants.* The Council appointed Mr G. R. Appleyard, F.C.A., Mr J. H. Mann, M.B.E., M.A., F.C.A., and Mr J. D. Russell, M.A., F.C.A., to serve on the Committee of the London and District Society of Chartered Accountants for the year 1963-64.

85. *Women Chartered Accountants' Dining Society.* The Vice-President and Mr C. Evan-Jones, M.B.E. (Joint Secretary), accompanied by Mrs Densem and Mrs Evan-Jones, attended the annual dinner of the society on December 6th, 1963.

### The Practitioner Inquiry

86. As mentioned in paragraph 93 of the last report, the Council on April 2nd, 1963, issued to all members in practice in the United Kingdom a questionnaire relating to such matters as fees, charging rates, type and remuneration of staff, and partnership incomes. 2,715 replies were received by the closing date, representing a 46 per cent response rate. Special precautions were taken to ensure the anonymity of the replies and to this end the *Economist Intelligence Unit* was employed by the Institute to analyse the information obtained. A report has been prepared by the District Societies Committee for consideration by the Council and will be issued to all members in practice in the United Kingdom on April 30th, 1964; it will also be available on request to any other members.

<sup>1</sup> Not reproduced.

### Services to Management

87. On January 22nd, 1964, two notices (Appendix<sup>1</sup>) were sent to each member announcing proposals for:

- (a) an examination for a Certificate in Management Information, to be held jointly by the Institute and The Institute of Chartered Accountants in Ireland.
- (b) a Joint Diploma in Management Accounting Services, to be administered jointly by the Institute, The Institute of Chartered Accountants of Scotland, The Institute of Chartered Accountants in Ireland, The Institute of Cost and Works Accountants and The Association of Certified and Corporate Accountants.

Booklets containing the schemes for the certificate and the joint diploma will be issued to members on April 20th, 1964, with the notice convening a special meeting for May 6th, 1964, to consider these proposals.

### Taxation

88. *Finance Act, 1963.* A memorandum (Appendix<sup>1</sup>) on the Finance Bill was submitted to the Chancellor of the Exchequer on May 13th, 1963, and was discussed with members of the Board of Inland Revenue on May 17th, 1963, when the Institute was represented by the Chairman of the Parliamentary and Law Committee (Mr W. E. Parker, C.B.E., F.C.A.) with Mr S. Kitchen, F.C.A., and Mr J. E. Talbot, F.C.A.

89. *Issue of notices of assessment.* With the agreement of the Chairman of the Board of Inland Revenue, the Council decided at its meeting on June 5th, 1963 to publish correspondence (Appendix<sup>1</sup>) between the President and the Chairman of the Board regarding the issue of notices of assessment.

90. *Value-added tax.* In response to an invitation from the Chairman of the Committee on Turnover Taxation (Mr Gordon Richardson, M.B.E.) the Council submitted to the Committee on October 31st, 1963, a memorandum on Value-added tax. The memorandum was reproduced in *Accountancy* for November 1963 [and *The Accountant* of November 23rd, 1963].

91. *'Some taxation anomalies and practical difficulties.'* On October 9th, 1963, the Council submitted to the Chairman of the Board of Inland Revenue a memorandum [see page 544] on some taxation anomalies and practical difficulties. The memorandum was discussed with members of the Board of Inland Revenue on February 5th, 1964, when the Institute's representatives were the Chairman of the Parliamentary and Law Committee (Mr W. E. Parker, C.B.E., F.C.A.) with Mr S. Kitchen, F.C.A., Mr E. N. Macdonald, D.F.C., F.C.A., and Mr J. E. Talbot, F.C.A.

92. *Profits tax: limitation of amounts allowable in respect of directors' remuneration.* When submitting its memorandum to the Chairman of the Board of Inland Revenue on some taxation anomalies and practical difficulties (paragraph 91) the Council again renewed its submission (referred to in paragraph 104 of the last report) that the limitation of the amounts deductible in respect of directors' remuneration for profits tax purposes in the case of director-controlled companies be abolished, or alternatively reconsidered.

93. *Form P11D.* Following representations by the Institute, the Board of Inland Revenue has informed the Council that it has decided to give inspectors of taxes explicit discretion, subject to certain conditions, to accept forms P11D completed on an accounting year basis instead of an income tax year basis. At its meeting on March 4th, 1964, the Council approved the publication of a statement (Appendix<sup>1</sup>) which appeared in *Accountancy* for March 1964 [and *The Accountant* of March 14th, 1964].

94. *Income Tax Management Bill.* A memorandum (Appendix<sup>1</sup>) on the Income Tax Management Bill was submitted to the Chancellor of the Exchequer on February 24th, 1964 and was discussed with members of the Board of Inland Revenue on February 26th, 1964, when the Institute was represented by Mr J. E. Talbot, F.C.A., and Mr L. H. Clark, F.C.A.

95. *Vouchers for interest paid on Government stocks on the Post Office register.* On May 31st, 1963, the President wrote to the Joint Permanent Secretary to the Treasury renewing

representations made by the Council in 1948, 1956 and 1961 regarding the absence of vouchers for interest paid on issues of Government stocks on the Post Office register. The Council has now been informed that under a mechanization programme which the Post Office has in progress, arrangements will be made for vouchers to be supplied.

96. *Interest in excess of £15 credited to a Post Office Savings Bank account.* In a letter dated May 31st, 1963, to the Treasury the President drew attention to the trouble caused to members who prepare income tax returns for their smaller clients by the absence of notification by the Post Office where interest in excess of £15 per annum has been credited to clients' accounts. The President has been informed that while the difficulties are appreciated, the cost of issuing notifications would be prohibitive.

#### Control of Borrowing Order, 1958

97. At its meeting on November 6th, 1963, the Council decided to publish the following information received by the President from the Governor of the Bank of England:

'Under the Control of Borrowing Order, 1958, no overseas resident may, without the consent of the Treasury, raise more than £50,000 in the United Kingdom in any one year by the issue of shares. It has been pointed out that this restriction can create difficulties where rights issues by overseas residents are concerned. Those in the United Kingdom responsible for such issues may neither know the exact amount of share capital beneficially held by United Kingdom residents nor have time to complete the normal Capital Issues Committee formalities between the date on which an issue is announced and that by which applications have to be received.

'In order to help meet this difficulty it has been agreed that, though applications for approval of rights issues should continue to be submitted to the Secretary of the Capital Issues Committee, Treasury consent will be given automatically where there is no reason to suppose that the proportion of the issue to be raised in the United Kingdom exceeds £2 million. This change does not affect the position of the Exchange Control, whose permission must, where necessary, still be obtained.'

#### Stamping of Receipts

98. At its meeting on November 6th, 1963, the Council authorized the President to send a letter (Appendix<sup>1</sup>) to the Chancellor of the Exchequer urging that steps should be taken as soon as practicable to abolish stamp duty on receipts but that at the same time the right of a debtor to require a written acknowledgement on discharge of a debt should be retained as a statutory right.

#### Accountant's Lien in Liquidation

99. Arising from the case of *D. M. Carr & Company Limited* [Chancery Division, No. 1172 of 1961] the Council, at its meeting on April 30th, 1963, approved an addendum to paragraph 13 of section P5 of the *Members' Handbook* regarding the lien of an auditor on the books of account and other documents of a company in liquidation. The addendum, which is contained in paragraph 24 of section P5, was distributed to all members on January 22nd, 1964, as part of Supplement No. 13 to the handbook.

#### Displacement of Auditors

100. Arising from a statement made by the chairman of a public company on the appointment of auditors, the Institute issued a statement to the Press for publication on June 19th, 1963. The statement is reproduced in the Appendix<sup>1</sup>. [See *The Accountant*, June 22nd, 1963.]

#### Committee of London Clearing Bankers

101. On May 10th, 1963, there was a meeting between representatives of the Institute and representatives of the Committee of London Clearing Bankers at which matters

of banking practice and procedure affecting accountants were discussed. The Institute's representatives were the Chairman of the Parliamentary and Law Committee (Mr W. E. Parker, C.B.E., F.C.A.), Mr E. N. Macdonald, D.F.C., F.C.A., Mr B. A. Maynard, M.A., F.C.A., and Mr J. E. Talbot, F.C.A.

#### The Stock Exchange, London

102. *Stock Transfers.* A draft of the notes on 'The New Transfer System' prepared by the Advisory Committee to the Committee on Transfer of Securities was discussed at a meeting with representatives of the Advisory Committee held on May 21st, 1963. The Institute's representatives at the meeting were Mr W. G. Densem, F.C.A., and Mr J. A. P. Whinney, A.C.A.

103. *Rule 79A of the Rules of The Stock Exchange.* The Stock Exchange, London, has amended its rules to allow, subject to the permission of its Council, overseas branch offices to be conducted by limited and unlimited liability companies. The Institute was consulted on the drafting of consequential amendments to Rule 79A which relates to accounts and balance sheets of members of the Stock Exchange. The amendments will be incorporated in section P8 of the *Members' Handbook* as part of the next supplement.

#### Farm Business Records

104. The Council was consulted on drafts of loose-leaf farm business record sheets prepared by the National Farmers' Union and the National Agricultural Advisory Service of the Ministry of Agriculture, Fisheries and Food for sale by the National Farmers' Union. The Council was also informed that the National Farmers' Union and the National Agricultural Advisory Service proposed to organize regional meetings, to which accountants would be invited, to explain the background and purpose of the documents. Arrangements were made to put the National Farmers' Union and the Ministry in direct touch with the honorary secretaries of district societies so that the matter could be brought to the attention of members.

#### National Productivity Year

105. A paper on capital investment prepared by Mr Lawrence W. Robson, F.C.A. (referred to in paragraph 114 of the last report) was presented at the National Productivity Year conference at Eastbourne in November 1963 at which the Institute was represented by the Vice-President (Mr W. G. Densem, F.C.A.).

106. District societies, branches and groups arranged a number of functions to further the aims of National Productivity Year. Some of the addresses given by members at these functions have been reproduced in *Accountancy* and elsewhere. Members have also spoken, by invitation, at functions arranged by other bodies in connection with National Productivity Year.

#### Accountancy

107. The average monthly circulation of *Accountancy*, the Journal of the Institute, rose from 17,015 in 1962 to 18,389 in 1963.

#### News Letter

108. The first *News Letter* was published in *Accountancy* for January 1964. This development is designed to give members more information on the current activities of the Council and its committees and will be a regular feature for publication every three months.

#### See a Chartered Accountant

109. Since the publication of *See a Chartered Accountant* (referred to in paragraph 118 of the last report) orders for over 111,000 copies have been received from members and over 40,000 copies have been distributed by the Institute to the general public.

<sup>1</sup> Not reproduced.

**Taxation and Research Committee**

110. *Activities.* The Taxation and Research Committee helped during the year in the drafting of memoranda on the *Finance Bill 1963* (paragraph 88), *Value-added Tax* (paragraph 90), *Some Taxation Anomalies and Practical Difficulties* (paragraph 91) and *Stamping of Receipts* (paragraph 98). The committee also advised and rendered technical assistance in connection with the pilot electronic data processing course (paragraph 80). Many other matters remain under consideration including the report of the Company Law Committee which is receiving detailed attention. Regional taxation and research committees of the district societies gave material aid to the committee in its work.

111. *Meetings.* During the year 1963 the Taxation and Research Committee held six meetings and its nineteen sub-committees held seventy-seven meetings. (The numbers for 1962 were seven and sixty-nine.)

112. *Chairman and Vice-Chairman.* At its meeting in September 1963 the Taxation and Research Committee appointed Mr H. C. Shaw, F.C.A., as Chairman for the year commencing October 1st, 1963, in succession to Mr S. M. Duncan, F.C.A., Mr S. Kitchen, F.C.A., was appointed Vice-Chairman.

113. *Council appointments.* The following twelve members were appointed by the Council to serve on the Taxation and Research Committee for the year commencing October 1st, 1963: Messrs L. H. Clark, F.C.A., S. M. Duncan, F.C.A., W. F. Edwards, F.C.A., N. Cassleton Elliott, M.A., F.C.A., R. W. Foad, F.C.A., S. Kitchen, F.C.A., J. W. Margetts, F.C.A., J. Perfect, F.C.A., D. W. Robertson, F.C.A., J. G. Vaughan, F.C.A., J. A. P. Whinney, A.C.A., and S. P. Wilkins, F.C.A.

**Research Committee**

114. The Council has appointed a Research Committee under the chairmanship of Sir William Carrington, F.C.A. The other members of the committee are Messrs J. D. Russell, M.A., F.C.A. (Vice-Chairman), J. F. Allan, F.C.A., J. F. Bateman, B.COM., F.C.A. and S. Dixon, M.A., F.C.A., Professor H. C. Edey, B.COM., F.C.A. and Messrs J. D. Green, F.C.A. and J. S. Heaton, F.C.A. The purpose of the committee is to initiate, through the medium of study groups, documents of a high standard which will stimulate thought and discussion on subjects which have not yet been explored and developed sufficiently or which for other reasons are not suitable for the issue of a Council statement.

**Research Foundation**

115. The Council has created a charity entitled 'The Research Foundation of The Institute of Chartered Accountants in England and Wales' to finance the charitable activities of the Research Committee. The trust deed is reproduced in the Appendix<sup>1</sup>.

**Registration**

116. At the annual meeting on May 1st, 1963, the then President announced that the Council had again reached the conclusion that it is not possible to introduce a registration measure which would be of benefit to the public and satisfactory to the Institute. The statement made by the then President is reproduced in the Appendix<sup>1</sup>.

**Accountants' Joint Parliamentary Committee**

117. The Accountants' Joint Parliamentary Committee has continued its work of watching all Parliamentary matters relating to the qualification and status of auditors and has taken action on a number of Bills and Departmental Orders. It is a matter for great regret that the strenuous representations made in connection with the London Government Bill were unsuccessful. The Bill as enacted imposes compulsory district audit on all the London boroughs thereby taking away the right previously held by many of the

boroughs to choose either professional audit or district audit.

**Chartered Accountants' Joint Standing Committee**

118. The Chartered Accountants' Joint Standing Committee consisting of representatives of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland has considered matters of common interest to the three Institutes.

119. The Overseas Accountancy Examinations Advisory Board established by the Chartered Accountants' Joint Standing Committee exists to give advice and assistance in establishing and conducting accountancy examinations of overseas bodies. Such co-operation was given to The Rhodesia Society of Accountants in connection with its Intermediate and Final (Part I) examinations held in July 1963 and to The Malayan Association of Certified Public Accountants in connection with its Intermediate examination held in December 1963. A number of inquiries has also been received by the Board from accountancy organizations in other countries overseas.

**Misuse of Designations**

120. Appropriate action has been taken in any case reported to the Institute of a person misdescribing himself as a chartered accountant or as an incorporated accountant. In seven cases written undertakings have been obtained that persons concerned would cease so to misdescribe themselves.

**Writ against the Institute**

121. Counsel has recently advised that owing to the death of Mr George S. May, the only general partner in the George S. May International Company (G.B.), the action (see paragraph 135 of the last report) against the Institute, initiated by this company in December 1960, cannot proceed.

**European Congress of Accountants  
Edinburgh, September 1963**

122. The first European Congress of Accountants was held in Edinburgh from September 10th to 13th, 1963, under the Patronage of His Royal Highness The Duke of Edinburgh. The President (Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A.) was the chairman of the Institute's delegation and at a banquet on September 11th, 1963, he proposed the health of the visitors to the British Isles. Sir Thomas Robson, M.B.E., M.A., F.C.A., a member of the international Policy Committee set up to organize the congress, gave an address at the closing session. Mr S. M. Duncan, F.C.A., presented a paper on *Auditing* and Mr D. Steele, F.C.A., acted as a panel member at a business session. A resolution passed by the Council at its meeting on October 2nd, 1963, was sent to Mr Alexander McKeller, C.A., President of the congress, and The Institute of Chartered Accountants of Scotland, congratulating them on the success of the congress.

123. Some 220 members of the Institute, many accompanied by their ladies, attended the congress, including the following official delegates appointed by the Council:

The President (Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A.), Chairman of the delegation; the Chairman of the Overseas Relations Committee (Sir Thomas Robson, M.B.E., M.A., F.C.A.), Vice-Chairman of the delegation; the Vice-Chairman of the Overseas Relations Committee (Mr S. John Pears, F.C.A.); Mr S. M. Duncan, F.C.A. (who contributed a paper on *Auditing*); Mr D. Steele, F.C.A. (who was a panel member at a business session); Messrs W. L. Barrows, LL.D., F.C.A., and Percy F. Carpenter, F.C.A., Sir William Carrington, F.C.A., Mr P. F. Granger, F.C.A., and Sir William Lawson, C.B.E., B.A., F.C.A. (Past Presidents); Messrs D. A. Clarke, LL.B., F.C.A. and W. E. Parker, C.B.E., F.C.A. (members of the Overseas Relations Committee); Messrs G. R. Appleyard, F.C.A.,

<sup>1</sup> Not reproduced.

J. H. Bell, B.A., F.C.A., T. A. Hamilton Baynes, M.A., F.C.A., H. A. Benson, C.B.E., F.C.A., G. T. E. Chamberlain, F.C.A., R. B. Leech, M.B.E., T.D., F.C.A., R. McNeil, F.C.A., R. P. Matthews, B.COM., F.C.A., L. W. Robson, F.C.A., A. G. Thomas, F.C.A., E. F. G. Whinney, M.A., F.C.A. and J. C. Montgomery Williams, F.C.A. (members of the Council); Miss D. M. Vaughan, B.A., F.C.A. and Mr M. G. Wittet, F.C.A. (Joint Honorary Auditors of the congress); Messrs G. F. Ansell, F.C.A., N. Cassleton Elliott, M.A., F.C.A., F. J. Greaves, O.B.E., F.C.A., G. M. Metcalf, F.C.A., G. P. Morgan-Jones, M.A., F.C.A., C. Romer-Lee, M.A., F.C.A., A. W. Sarson, F.C.A., J. E. Talbot, F.C.A., and D. E. T. Tanfield, F.C.A.; the Joint Secretaries (Messrs F. M. Wilkinson, F.C.A., and C. Evan-Jones, M.B.E.), an Under-Secretary (Miss M. J. D. Reynolds, B.A.), and an Assistant Secretary (Mrs W. Amor).

124. The President and other delegates of the Institute held a reception in Edinburgh on September 10th, 1963, to which representatives of all the bodies participating in the congress were invited.

125. Attendance at the congress was considerably less than had been expected as the estimates made by some of the participating bodies of the numbers of their members who would attend were not fulfilled; in consequence a deficit was incurred. The financial risk had been undertaken by The Institute of Chartered Accountants of Scotland but as the Council had played a major part in representing to that Institute the desirability that it should act as the host organization for a European Congress, the Council considered that this Institute should make an appropriate contribution towards the deficit. Accordingly a payment of £3,000 has been made for this purpose to The Institute of Chartered Accountants of Scotland.

#### Practice Rights Overseas

126. Legislation and other developments affecting the practice of accountancy and auditing in many countries overseas have been watched closely and continuously throughout the year. Representations have been made where these appeared to be desirable, including representations with a view to safeguarding the practice rights of members in the Common Market countries of Europe. Information and advice have been given in response to requests from overseas countries.

127. The Council cannot emphasize too often its belief that the ideal arrangement is reciprocity, in all parts of the world, of the right to practise under the professional designation which the individual accountant has obtained by suitable training, experience and examination; and there should be no restriction on the right to enter into partnership or agency arrangements with properly qualified accountants whatever may be their country of residence. That position exists in the United Kingdom and in the opinion of the Council it would be to the advantage of the profession if it were the position in all countries. The international nature of the profession is such as to require a liberal attitude towards world freedom of practice rights if the profession is to be able to continue to serve adequately the business interests which depend upon it.

128. The Council believes that all forms of artificial barriers (by reference to nationality, residence, partnership association, firm names, or otherwise) are detrimental to the future development of the profession and to the interests of the countries imposing such barriers. In the past, over a long period of years, United Kingdom chartered accountants have taken a major part in the creation and development of an organized profession in many overseas countries; it is the Council's earnest hope that they will be enabled to continue to make a material contribution in this way.

#### Other Overseas Matters

129. *France.* The President, accompanied by Mrs Winter, attended a banquet on the occasion of the eighteenth national congress of the Councils of the Ordre des Experts

Comptables et des Comptables Agréés held at Versailles on October 19th, 1963.

130. *Germany.* Mr S. John Pears, F.C.A., and Mr G. B. Pollard, F.C.A., accompanied by Mrs Pollard, represented the Institute at the Fachtagung of the Institut der Wirtschaftsprüfer in Deutschland e.V. held in Munich on January 30th and 31st, 1964.

131. *Netherlands.* The President, accompanied by Mrs Winter, Mr F. M. Wilkinson, F.C.A. (Joint Secretary), and Mrs W. Amor (an Assistant Secretary), represented the Institute at the accountants' yearday of the Nederlands Instituut van Accountants held in Scheveningen on October 11th and 12th, 1963. Sir Thomas Robson, M.B.E., M.A., F.C.A., accompanied by Lady Robson, also attended as a Vice-President of U.E.C.

132. *Switzerland.* The President, accompanied by Mrs Winter, represented the Institute at a meeting of the Schweizerische Kammer für Revisionswesen held in Berne on September 27th, 1963, and at the fiftieth anniversary celebrations of the Association Suisse des Experts-Comptables held in Berne on September 28th and 29th, 1963. The President conveyed to the Association Suisse des Experts-Comptables a congratulatory message under the Common Seal of the Institute.

#### Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.)

133. Reference was made in the last report (paragraph 154) to an application made by the Institute (in conjunction with the other recognized United Kingdom bodies and bodies in the Netherlands and the Scandinavian countries) for membership of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.). These bodies became members of U.E.C. in April 1963 and an explanatory note on U.E.C. (Appendix<sup>1</sup>) was included in a special notice regarding the Fifth U.E.C. Congress which was sent to all members on December 13th, 1963. The fifth U.E.C. Congress is to be held in Vienna from August 31st, to September 3rd, 1964, and is being organized for U.E.C. by the Kammer der Wirtschaftstreuhänder. Members who have indicated their wish to attend the congress will be supplied with the advance programme and documents for registration with the congress office in Vienna as soon as they are received from the organizers of the congress.

134. Meetings of the Assembly of Delegates of the enlarged U.E.C. were held in Paris on April 23rd, 1963, and in Munich on February 1st, 1964, when the Institute's delegates were Sir Thomas Robson, M.B.E., M.A., F.C.A., Mr G. B. Pollard, F.C.A., and Mr F. M. Wilkinson, F.C.A. (Joint Secretary). Mr S. John Pears, F.C.A., also attended the meeting on February 1st, 1964, as a delegate.

135. At the meeting of the Assembly of Delegates on April 23rd, 1963, Sir Thomas Robson, M.B.E., M.A., F.C.A., was appointed a Vice-President of U.E.C.

136. In his capacity as a Vice-President of U.E.C. Sir Thomas Robson, M.B.E., M.A., F.C.A., accompanied by Mr F. M. Wilkinson, F.C.A. (Joint Secretary), attended meetings of the Exécutif des Présidents held in Wiesbaden on May 27th, 1963, in Edinburgh on September 11th, 1963, in Scheveningen on October 11th, 1963, in Wiesbaden on December 1st and 2nd, 1963, and in Munich on January 31st and February 1st, 1964.

#### The P. D. Leake Trust

137. At its meeting on February 5th, 1964, the Council approved for publication a booklet containing the accounts of The P. D. Leake Trust for the year ended October 31st, 1963, with the eleventh report by the Council on the administration of the trust and the eleventh report by the P. D. Leake Committee on the application of the income. Any interested person may obtain a copy, without charge, on application to the offices of the Institute. A statement to

<sup>1</sup> Not reproduced.



that effect was published in *Accountancy* for February 1964 [and *The Accountant* of February 15th, 1964].

### Chartered Accountants Retirement Benefits Scheme (CARBS)

138. The Chartered Accountants Retirement Benefits Scheme provides retirement benefits for members who are self-employed or otherwise within the ambit of section 22 of the Finance Act, 1956. The accounts for the year ended May 31st, 1963, are reproduced in the Appendix<sup>1</sup>, and they show members' contributions of £100,216 compared with £127,541 in the previous year. The charge for Institute staff time devoted to administration was £750 as in the previous year. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

139. At its meeting on July 3rd, 1963, the Council approved a statement regarding improved contribution rates for sections A and B of the scheme and drawing attention to the potentially valuable guarantee that a member contributing a total of at least £50 in aggregate to the two sections taken together in any twelve months within the period July 1st, 1963, to June 30th, 1966, would be entitled to make all future contributions to section A and all contributions in respect of a new contract or contracts under section B in accordance with the new scales. The statement was sent on August 15th, 1963, to all members resident in the United Kingdom.

### Chartered Accountants Employees Superannuation Scheme (CAESS)

140. The accounts of CAESS for the year ended May 31st, 1963, are reproduced in the Appendix<sup>1</sup>, and show net contributions of £96,239 compared with £95,800 in the previous year. The charge for Institute staff time devoted to administration was £250 as in the previous year. The outstanding balance due to the Institute on loan account remains at £4,750 and neither the trustees nor the Council will agree to the repayment of any part thereof unless satisfied that the solvency of the scheme will not be affected.

141. The sixth report of the committee of CAESS, which is reproduced in the Appendix<sup>1</sup>, mentions changes in the rules of CAESS which were made during 1963 in order to meet changes in national insurance contributions and to take advantage of two minor changes in Inland Revenue practice. The committee is at present considering the possibility of extending the scheme to include full-time employees of district societies and students' societies and also to deal with the situation where the staff of practising members are employed through the medium of a company.

142. The number of participating firms continues to increase. On March 31st, 1964, there were 1,080 individual members of the scheme from 248 participating firms, as against 1,112 members from 243 firms a year earlier.

### Chartered Accountants Trustees Limited

143. Chartered Accountants Trustees Limited has continued to act as trustee of CARBS, CAESS and the Staff Pensions Fund and to administer the Merrett estate. The report of the directors and the accounts of the company to May 31st, 1963, appear in the Appendix<sup>1</sup>.

### Chartered Accountants Charities Limited

144. Chartered Accountants Charities Limited has continued to act as trustee of The Institute Prize Trust, The Chartered Accountants General Charitable Trust, Chartered Accountants Investment Pool for Educational Endowments (CAIPEE) and fifteen prize and scholarship funds of the Institute. During the year it has accepted appointment as

trustee of The John Montgomery Newman Prize Fund and of The Howitt Prize Fund; since the end of the year it has also accepted appointment as trustee of The Research Foundation of The Institute of Chartered Accountants in England and Wales. The accounts of funds in its trusteeship appear at pages [534, 542-3] and in the Appendix<sup>1</sup>.

145. In the course of 1963 the Institute has contributed a total of £4,900 less tax to The Chartered Accountants General Charitable Trust. It has made no further contribution to The Institute Prize Trust.

146. Payments from The Chartered Accountants General Charitable Trust during 1963 have included grants to chartered accountants students' societies and joint tuition committees, various small grants to the prize and scholarship funds admitted to CAIPEE to maintain their previous level of income, and grants to other charitable causes with which the Council has wished to associate the Institute. Details appear on page [534].

147. One new fund has been admitted during the year of CAIPEE, the common investment scheme for Institute charities which was created in 1962.

### Charitable Expenditure

148. In the course of 1963 the Council obtained Counsel's opinion on the charitable nature of certain Institute expenditure and on December 5th, 1963, that opinion, which is reproduced in the Appendix<sup>1</sup>, was circulated to all district societies.

### Liquidation of the Society of Incorporated Accountants

149. The final winding-up meeting of The Society of Incorporated Accountants, which had been in voluntary liquidation since November 1st, 1957, was held in the Oak Hall of the Institute at Moorgate Place on November 13th, 1963. The liquidators having made their return to the Registrar of Companies as required by section 290 of the Companies Act, 1948, the Society was deemed to be dissolved on February 14th, 1964.

### The Society of Incorporated Accountants Limited

150. Following the dissolution of The Society of Incorporated Accountants, the Institute company named 'The Society of Incorporated Accountants (1958) Limited' has changed its name to 'The Society of Incorporated Accountants Limited'.

### Capel House (Medcalf) Trust

151. It was mentioned in paragraph 169 of the last report that the High Court had ordered a scheme importing as beneficiaries of the Capel House (Medcalf) Trust the students and members of the Institute, The Institute of Chartered Accountants of Scotland and The Institute of Chartered Accountants in Ireland. The scheme provides for up to seven trustees of whom the Council initially nominates three. The Council has nominated Sir William Carrington, F.C.A., Mr W. G. Densem, F.C.A., and Mr W. E. Parker, C.B.E., F.C.A., trustees of the fund.

### Financial Position

152. The audited accounts for 1963 accompany this report [see pages 534 to 543].

153. At a special meeting on September 4th, 1963 (see paragraph 4) members approved increases in subscriptions with effect from January 1st, 1964, and in the admission fee with effect from January 1st, 1965. The opportunity was also taken to eliminate the payment of an additional subscription on a change of subscription category in the second part of the year and to remove a minor anomaly by providing that an application for admission to membership would become void unless both the admission fee and the first subscription were paid within two months of the date of admission.

<sup>1</sup> Not reproduced.

[illegible]



## BALANCE SHEET, 31st DECEMBER 1963

**REPORT OF THE AUDITORS TO THE MEMBERS OF THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES**

We have examined the above balance sheet and annexed revenue account which in our opinion respectively give a true and fair view of the state of the Institute's affairs as at 31st December 1963 and of its income and expenditure for the year ended on that date.

**L. W. BINGHAM  
LEONARD PELLIS**

*Chartered Accountants*

## Chartered Accountants

*The Institute of Chartered Accountants in England and Wales*

**BALANCE SHEET NOTE**

**ACCUMULATED FUND 31st DECEMBER 1963**

1962	£	£
318,389	Balance 31st December 1962	318,215
5,853	add <i>Surplus on realisation of investments</i>	
—	Contribution by an associated fund in respect of administration prior to 1963	1,000
[4,760]	Surplus of income over expenditure for the year 1963	1,342
319,482		320,562
827	less <i>Net disbursements consequential upon the inauguration of the Society</i>	
440	<i>Loans written off</i>	
1,267		
£318,215		£320,562

This note forms an integral part of the balance sheet on page [535].

The accounts of the Staff Pensions Fund, the benefits of which are based on salaries in the closing years of service, appear at pages [540 and 541]. The Institute is under obligation to make annual contributions by way of percentage of salaries calculated from time to time by the actuary (at present 14 per cent) but subject to a maximum of 20 per cent and to the right of the Institute to close the fund and cease to contribute. Under rules previously in operation and now superseded the Institute was under obligation to maintain the solvency of the fund: 7 pensioners and 10 employees who were in the service of the Institute prior to 1947 and who were entitled, without reservation, to the benefits provided under those rules are therefore the subject of guarantees by the Institute to ensure that they will not be prejudiced by the new rules.

**SCHEDULE OF ASSOCIATED INTERESTS  
31st DECEMBER 1963**

1962	£	£	£
100	Shares held	100	£
100	Chartered Accountants Trustees Limited	100	
48	Society of Incorporated Accountants (1958) Limited	48	
100	Society of Incorporated Accountants Limited (South Africa)	100	
100	A.C.A. Limited	100	
448	F.C.A. Limited	100	
	less Loans to The Institute		448
100	Society of Incorporated Accountants (1958) Limited	100	
23	A.C.A. Limited	23	
23	F.C.A. Limited	23	
146			146
302			302
1	Loans by The Institute	1	
1	Chartered Accountants Retirement Benefits Scheme (less provision)	1	
900	Chartered Accountants Employees Super-annuation Scheme (less provision)	900	
902	Manchester Society of Chartered Accountants		902
£1,204			£1,204

*The Institute of Chartered Accountants in England and Wales*

## SCHEDULE OF INVESTMENTS, 31st DECEMBER 1963

1962		Holding	Cost	Middle market value
£			£	£
9,237	FIXED INTEREST			
	3% Savings Bonds, 1955-65	.. .. .	9,237	9,775
	VARIABLE DIVIDEND			
	Insurance companies and banks			
3,640	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares	2,750	3,640	6,394
6,338	General Accident, Fire and Life Assurance Corp'n. Ltd. Ordinary Stock	£1,650	6,338	22,440
3,613	Legal and General Assurance Society Ltd. 5s. Shares	2,040	3,613	21,675
9,432	Northern and Employers Assurance Co. Ltd. Ordinary £1 Shares	2,200	9,432	17,600
3,828	Royal Insurance Co. Ltd. Ordinary Stock	£1,000	3,828	7,500
3,940	Royal Bank of Canada \$10 Shares of Capital Stock	200	3,940	5,500
30,791			30,791	81,109
	Investment trusts			
3,033	Alliance Trust Co. Ltd. Ordinary Stock	£4,200	3,033	21,525
10,936	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares	10,000	10,936	13,625
8,262	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares	19,200	8,262	14,880
11,744	Border and Southern Stockholders Trust Ltd. Ordinary 10s. Shares	12,800	11,744	16,320
1,025	British Assets Trust Ltd. Ordinary 5s. Shares	8,000	1,025	14,200
9,823	Cedar Investment Trust Ltd. Ordinary 5s. Shares	10,000	9,823	13,250
9,531	City of London Brewery and Investment Trust Ltd. Deferred Stock	£3,500	9,531	16,100
2,421	Continental Union Trust Co. Ltd. Ordinary 5s. Shares	15,000	2,421	14,063
4,350	Edinburgh and Dundee Investment Co. Ltd. Ordinary Stock	£2,200	4,350	19,030
8,570	Edinburgh Investment Trust Ltd. Deferred Stock	£6,000	8,570	16,950
11,511	Foreign and Colonial Investment Trust Co. Ltd. Ordinary 5s. Shares	35,500	11,511	23,963
12,731	International Investment Trust Ltd. Ordinary 5s. Shares	12,000	13,231	18,600
1,710	Investors Mortgage Security Co. Ltd. Ordinary Stock	£1,600	1,710	8,320
10,868	Lake View Investment Trust Ltd. Ordinary 10s. Shares	4,400	10,868	14,520
2,664	London and Clydesdale Trust Ltd. Ordinary 5s. Shares	9,600	2,664	11,040
3,164	Scottish Mortgage and Trust Co. Ltd. Ordinary Stock	£1,400	3,164	10,920
9,827	Second Scottish Investment Trust Co. Ltd. Ordinary Stock	£2,250	9,827	16,087
8,351	Sphere Investment Trust Ltd. Ordinary 5s. Shares	15,000	8,351	15,375
8,447	Standard Trust Ltd. Ordinary Stock	£2,250	8,447	11,363
8,304	Sterling Trust Ltd. Ordinary 5s. Shares	16,000	8,304	13,800
9,165	Trust Union Ltd. Ordinary 5s. Shares	12,000	9,165	11,325
8,466	Trustees Corporation Ltd. Ordinary 5s. Shares	8,250	8,466	11,535
5,099	United States Debenture Corporation Ltd. Ordinary Stock	£3,200	5,099	12,800
9,369	Witan Investment Co. Ltd. Ordinary 5s. Shares	15,000	9,369	13,875
179,371			179,871	353,466
£219,399				£444,350

**(b) Changes in the Student and Examination Account are the subject of a note on page [539].**

# SUBSCRIPTIONS FOR THE YEAR ENDED 31st DECEMBER 1963

1962 £	Members in Practice	£
33,264	<i>Fellows</i>	
60,659	2,640 2,713 at £12 12 0	34,184
719	5,777 5,926 at £10 10 0	62,223
	81 77 at other rates	727
7,245	<i>Associates</i>	
13,633	690 700 at £10 10 0	7,350
1,318	1,623 1,678 at £8 8 0	14,095
	220 197 at other rates	1,265
137	<i>Incorporated Accountant Members</i>	
260	13 12 at £10 10 0	126
7	31 27 at £8 8 0	227
	2 other rates	
117,242		120,197
54,924	<i>Members not in Practice</i>	
153	<i>Fellows</i>	
50,778	8,718 9,231 at £6 6 0	58,155
2,218	34 29 at other rates	94
4,258	<i>Associates</i>	
31	9,672 10,208 at £5 5 0	53,592
	835 842 at other rates	2,259
112,362	<i>Incorporated Accountant Members</i>	
	811 800 at £5 5 0	4,200
	12 17 at other rates	49
		118,349
6,917	<i>Members not resident in England or Wales</i>	
9	<i>Fellows</i>	
4,577	1,647 1,717 at £4 4 0	7,212
30	17 at other rates	7
1,176	<i>Associates</i>	
353	1,453 1,522 at £3 3 0	4,794
4	17 at other rates	28
13,066	<i>Incorporated Accountant Members</i>	
	560 599 at £2 2 0	1,258
	336 306 at £1 1 0	321
	7 2 at other rates	2
		13,622
1,519	<i>Reduced subscriptions: bye-law 43</i>	
212	<i>Retired Members</i>	
1,731	1,447 1,556 at £1 1 0	1,634
	<i>Members on National Service</i>	
	202 5 at £1 1 0	5
		1,639
£244,401	Total carried to Revenue Account, (page [538])	£253,807

# STUDENT AND EXAMINATION ACCOUNT FOR THE YEAR ENDED 31st DECEMBER 1963

1962 £	INCOME	£
11,056	Exemption fees*	22,069
2,095	Examination fees	
27,386	Preliminary	3,242
29,131	Intermediate	49,213
183	Final	45,373
69,851	Special South African Final (Society)	96
		119,992
	EXPENDITURE	
36,382	Fees of examiners, moderators and in-vigilators	38,374
7,205	Examination halls and desks	12,491
10,775	Other examination expenses	13,056
—	Institute expenditure attributable to student and examination administration*	50,146
61,262	Contributions under covenant to the Chartered Accountants General Charitable Trust to finance grants to students' societies and joint tuition committees*	4,900
£8,589*	Balance, 31st December 1963, carried forward	£1,025

\*NOTE.—In 1962, Exemption fees were credited to the Institute's Income and Expenditure Account and no charge was made to the Examinations Account either in respect of that part of the Institute's administration expenses attributable to student and examination administration or in respect of the contributions under covenant. The net effect of the changes now made is that the amount transferred in 1962 to Income and Expenditure Account is altered from £4,433 to £8,589.

*The Institute of Chartered Accountants Staff Pensions Fund*  
**BALANCE SHEET, 31st DECEMBER 1963**

1962	£	£	1962	£	£
<b>Accumulated Fund</b>			<b>Investments at cost (Schedule page [541])</b>		
191,275			199,823		217,726
14,980		201,806	(£297,048)	Value at middle market prices £347,772	
8,682		16,496	<b>Current Assets</b>		
		9,747	Amount recoverable from the Institute	..	1,184
		26,243	Recoverable income tax	..	600
		228,049	Bank balances	..	2,160
			1,983		3,944
			<b>On behalf of Chartered Accountants Trustees Limited</b>		
			as trustee		
			S. H. GILLETT } <i>Directors</i>		
			DOUGLAS A. CLARKE }		
			<b>NOTE.</b> —The annual contribution made by the Institute		
			for 1963 was at the rate of 14 per cent of salaries.		
			The benefits are based on salaries in the closing years		
			of service and the Institute has the right to close the		
			fund. The last actuarial valuation (31st December		
			1962) was made on the basis that the annual contri-		
			butions would continue at 14 per cent and showed a		
			surplus of £28,642.		
			<b>£201,806</b>		
			<b>£221,670</b>		

**REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE**

We have examined the above balance sheet which in our opinion gives a true and fair view of the state of affairs of the Staff Pensions Fund as at 31st December 1963 and of its transactions for the year ended on that date.

L. W. BINGHAM  
LEONARD PELLIS

*Chartered Accountants*

8th April 1964

*The Institute of Chartered Accountants Staff Pensions Fund*  
**SCHEDULE OF INVESTMENTS, 31st DECEMBER 1963**

1962 £	Holding	Cost £	Middle market value £
<b>FIXED-INTEREST</b>			
18,407	Treasury 5½% Stock, 2008-12 .. .. .	18,407	18,145
<b>VARIABLE DIVIDEND</b>			
<b>Insurance Companies</b>			
6,088	Commercial Union Assurance Co. Ltd. Ordinary 5s. Shares .. .. .	6,088	6,975
7,942	Eagle Star Insurance Co. Ltd. Ordinary 10s. Shares .. .. .	7,942	15,055
4,417	Guardian Assurance Co. Ltd. Ordinary 5s. Shares .. .. .	4,417	7,110
4,525	Prudential Assurance Co. Ltd. 'A' 4s. Shares .. .. .	4,520	11,375
12,153	Royal Exchange Assurance Capital Stock .. .. .	12,153	9,450
35,125		35,120	49,965
<b>Investment Trusts</b>			
6,181	American Trust Co. Ltd. Ordinary 5s. Shares .. .. .	6,181	15,725
12,268	Anglo-American Securities Corporation Ltd. Ordinary 5s. Shares .. .. .	12,268	17,713
5,250	Atlas Electric and General Trust Ltd. Ordinary 5s. Shares .. .. .	5,250	18,000
10,473	British Assets Trust Ltd. Ordinary 5s. Shares .. .. .	10,473	14,200
10,949	Continental Union Trust Co. Ltd. Ordinary 5s. Shares .. .. .	10,949	18,750
12,910	Foreign and Colonial Investment Trust Co. Ltd. Ordinary 5s. Shares .. .. .	12,910	16,875
9,283	Guardian Investment Trust Co. Ltd. Ordinary 5s. Shares .. .. .	9,283	18,562
12,761	Industrial and General Trust Ltd. Ordinary 5s. Shares .. .. .	12,761	24,800
16,630	International Investment Trust Ltd. Ordinary 5s. Shares .. .. .	17,130	18,600
7,563	Investment Trust Corporation Ltd. Ordinary 5s. Shares .. .. .	7,563	17,325
13,132	London Trust Co. Ltd. Deferred Stock .. .. .	13,132	18,300
5,574	Rio Claro Investment Trust Ltd. Ordinary Stock .. .. .	5,574	15,188
—	Scottish National Trust Co. Ltd. Ordinary Stock .. .. .	10,857	11,250
5,565	Second British Assets Trust Ltd. Ordinary 5s. Shares .. .. .	5,565	6,825
—	Securities Trust of Scotland Ltd. Ordinary Stock .. .. .	6,532	7,373
6,311	Trust Union Ltd. Ordinary 5s. Shares .. .. .	6,311	15,100
134,850		152,739	254,986
<b>Industrial</b>			
5,245	Great Universal Stores Ltd. 'A' Ordinary Stock .. .. .	5,264	12,351
6,196	Imperial Chemical Industries Ltd. Ordinary Stock .. .. .	6,196	12,325
11,441		11,460	24,676
£199,823		£217,726	£347,772

## BALANCE SHEET, 31st DECEMBER 1963

# REPORT OF THE HONORARY AUDITORS TO THE TRUSTEE

Acco  
8th April 1964

L. W. BINGHAM } Chartered Accountants  
LEONARD PELLIS }



CAPITAL ACCOUNTS  
at 31st December 1963INCOME ACCOUNTS  
for the year ended 31st December 1963

<i>Funds invested in CAIPEE</i>	<i>Shares of £1 in CAIPEE</i>	<i>Cost £</i>	<i>Balance 31st December 1962 £</i>	<i>Receipts £</i>	<i>Payments £</i>	<i>Balance 31st December 1963 £</i>
Robert Fletcher Prize Fund	653	653	69	46	52	63
Deloitte Prize Fund	989	996	160	66	53	173
William Quilter Prize Fund	154	154	5	10	10	5
Frederick Whinney Prize Fund	535	535	19	38	38	19
Walter Knox Scholarship Fund	407	407	14	28	28	14
Theodore Gregory Prize Fund	287	287	20	20	20	20
Stephens Prize Fund..	1,302	1,302	99	94	88	105
West Prize Fund	208	208	7	14	14	7
W. B. Peat Prize Fund	1,257	1,257	43	86	86	43
O. C. Ralton Prize Fund	55	55	4	4	4	4
Roger N. Carter Prize Fund	338	338	11	23	23	11
Plender Prize Fund	1,340	1,340	46	92	92	46
Tom Walton Prize Fund	258	258	9	17	17	9
Fl./Lieut. Dudley Hewitt, D.F.C., Prize Fund	161	161	5	10	10	5
John Montgomery Newman Prize Fund	977	1,038		60		60
The Howitt Prize Fund	1,316	1,500		9		9
W. B. Peat Memorial Scholarship Fund*	2,771	2,771		196	196	
	13,008	£13,260				
*NOTE.—Under the terms of trust, the income of this fund is administered by The Chartered Accountants Benevolent Association, which publishes an annual account of its application.						
<i>Grants from The Institute Prize Trust Fund (see footnote)</i>						
Fleming Birch prizes..	..	..	27	55	40	42
C. W. Boyce prizes	..	..	7	15	15	7
Morgan prizes..	..	..	7	15	15	7
Piggott prizes	..	..	9	18	18	9
Charles M. Strachan prizes	..	..	16	31	31	16
Liverpool Society Intermediate prizes	..	..		6		6
			£577	£953	£850	£680

NOTE.—In consideration for donations to that fund the trustees of The Institute Prize Trust Fund have agreed to make certain half-yearly grants for prizes at the examinations of the Institute.

# Some Taxation Anomalies and Practical Difficulties

*The following memorandum was submitted by the Council of the Institute to the Chairman of the Board of Inland Revenue on October 9th, 1963. It is referred to in paragraphs 91 and 92 of the annual report (page 529 of this issue).*

THE Council of The Institute of Chartered Accountants in England and Wales wishes to bring to the attention of the Chairman of the Board of Inland Revenue a number of anomalies and practical difficulties encountered by members of the Institute in connection with taxation. The Council expresses the hope that the points raised can be remedied by legislative or administrative action as appropriate.

## Omissions from Returns of Income

1. Difficulties are sometimes caused by the refusal of inspectors of taxes to disclose the grounds on which they base an assertion that a taxpayer's return of income is incomplete. Although in most cases inspectors will ultimately indicate the item in question, time and effort is wasted on all sides when inspectors refuse to do so. (It has not been unknown, for instance, for an item supposed to have been omitted from a taxpayer's return to prove to have been disclosed but overlooked by the inspector in the taxpayer's business accounts. Again, income receivable by a taxpayer in the capacity of trustee is sometimes mistakenly attributed to him personally.) The Council recognizes that in some circumstances inspectors may have good reason for not disclosing in what respect they consider a return is incomplete, and it is not suggested that inspectors should be advised to be specific in every case. It is suggested however that inspectors might well be encouraged to exercise more discrimination, particularly as regards relatively small untaxed interest payments.

## Appeals, Amended Assessment Notices and Demand Notes

2. A frequent minor source of irritation in dealing with taxation matters is the necessity for avoidable correspondence when inspectors fail to notify collectors that an appeal has been lodged. It is suggested that the attention of inspectors should be drawn to the point. A similar cause of additional work is the practice whereby collectors of taxes issue demand notes to taxpayers at the same time as inspectors issue amended assessment notices. Where the amended assessment notice requires further adjustment taxpayers' agents find themselves involved in correspondence to stop collectors pressing for payment. The Council recognizes that this is a matter involving the Inland Revenue's internal administration, but regards the point as warranting examination. The difficulty would be overcome if the offices of inspectors and collectors of taxes were amalgamated or closer liaison established. Alternatively, collectors of taxes could be instructed to defer issuing demand notes for a stated period after the issue of an amended assessment notice. There appears to be a precedent for this procedure in the case of surtax assessments, where it is customary to give notice of an amended assessment before the demand note is dispatched.

## Reminder Notices

3. There appears to have been an increase recently in the indiscriminate use of reminder notices (Form 155). In some districts it seems that the practice is adopted of sending out reminder notices a month after return forms are issued, a course of action which wholly ignores the reality of the situation. Sometimes reminder notices are issued when

returns have already been lodged. For the most part the procedure has little other consequence than to waste the time of the Inland Revenue staff concerned and irritate the recipients. The Council recognizes that reminder notices in appropriate circumstances may be both necessary and useful, but it is suggested that greater discretion should be adopted in their application. The point is no doubt a minor administrative one, but attention to matters of this nature would help to improve the Inland Revenue's public relations. A similar comment applies to the manner in which reminders in connection with the submission of accounts are used.

## Time Limit for Election on Change of Partnership

4. Where there is a change in the membership of a continuing partnership it is provided by section 19 (3) of the Finance Act, 1953, that all those concerned both before and after the change may elect to have the partnership assessed on a continuing basis. The time limit for this election is one year after the date of change. Since its representations on a number of occasions for an extension of this time limit have not been accepted, the Council does not now repeat them. It remains of the opinion, however, that the rigid operation of the present limit of no more than one year can cause hardship in some cases and therefore submits that the Commissioners should have discretion to extend the time allowed similar to that given them in paragraph 7 (2) (a) of the Fourth Schedule to the Finance Act, 1963, and by S.I. 1958 No. 392 which deals with the notice of election or revocation in respect of O.T.C. status under section 23 of the Finance Act, 1957.

## P.A.Y.E. Coding

5. The remuneration of persons who hold more than one office or appointment (multiple directorships, hospital consultancies and the like) is subject to deduction of tax under P.A.Y.E. in respect of each separate office or appointment, and where the total earned income exceeds £4,005 this may give rise to difficulty. This difficulty would largely be eliminated if there could be applied (as appropriate) a code number which would tax the excess remuneration of such persons at standard rate less one-ninth. This would seem a simple and useful administrative change, for which the necessary tables are already available in the tax table supplement. There is evidence that some inspectors are in fact adopting this practice, and the Council recommends the point to the consideration of the Board of Inland Revenue.

## PRID

6. The Council has previously had occasion to point out that the measure of value of goods supplied free or below market value to directors should properly be their cost to the company, not their market value. Item 9 of the current PRID requires disclosure of market value or cost to the employer, whichever is the higher. The assessability of directors and certain employees in respect of gifts in kind is governed by, but appears to be not exclusively dependent on, section 161 of the Income Tax Act, 1952, which refers to the expense incurred by the employer, i.e. cost. The charging section of Schedule E imposes tax on the emoluments of an office or employment, and it was established in *Wilkins v. Rogerson* (Court of Appeal 1960) that the measure of assessability

where there is a perquisite which is in kind, was the price at which the recipient could sell it. In this limited sense, therefore, market value is relevant. However, the Council sees no reason why an employer should be required to make a return of any figure other than the cost of the gift to him. If the Revenue seek to assess the recipient to any higher figure, that should be a matter between them and the employee. The Council therefore considers that the *quantum* of benefit to be disclosed should be fixed by reference to cost to the employer, as required by section 161 (1) of the Income Tax Act and submits that the words 'market value' in item 9 of P11D should be amended to 'cost'.

#### Private Use of Motor-cars

7. The annual value of the use by a director or employee of a car owned by a body corporate normally will be taken as a proportion of the cost of the car when new. As a result, it is understood, of an official instruction it appears that this basis is being applied literally, even in cases where cars have been acquired second-hand at prices substantially lower than when new. The basis is plainly unfair in that no allowance is made for diminution in value by reason of age and use. Anomalous effects will become particularly marked following a material change in car prices, such as that brought about last November by the reduction in purchase tax. The Council submits that the annual value of a car to a director or employee should be computed by reference to its cost to the body corporate and not by reference to its cost when new; or, if this is not acceptable, that the annual benefit should be computed by reference to a declining capital value.

#### Retirement Annuity Relief

8. Under section 23 of the Finance Act, 1956, relief is given in respect of qualifying premiums for retirement annuities. The relief granted is one-tenth of the taxpayer's net relevant earnings, up to an overriding maximum relief of £750 (or more, on a graduated scale according to age, for taxpayers born in 1915 or earlier). If relief cannot be given on part of a premium paid in a particular year by reason of an insufficiency of net relevant earnings the amount so unrelieved may be carried forward to the following year and may be treated as a qualifying premium paid in that year, or later years if necessary. No distinction is drawn however between unrelieved amounts so carried forward and treated as qualifying premiums in subsequent years and qualifying premiums actually paid in those years: the two are aggregated and treated as a single premium for the year or years concerned. If the aggregate thus arrived at exceeds in any year the overriding maximum the excess is wholly disallowed. Where incomes fluctuate materially from year to year the consequence may be that relief is fortuitously lost. The Council considers that this important relief should not be subject to fortuitous fluctuation and submits that it should be preserved by providing that where in any year the overriding maximum is exceeded by reason of unrelieved premiums brought forward from previous years, it should be permissible to carry the excess forward until such time as sufficient net relevant earnings are available.

#### Reopening Back Years

9. There is growing evidence that the Inland Revenue are using a discretionary power under section 66 of the Income Tax Act (relief in respect of error or mistake) to circumvent in effect the six-year time limit for assessments.

10. A typical instance concerned a trading company which was obliged to revise the basis of its stock valuation for tax purposes, and submit to an additional assessment. The Revenue insisted on reopening the profit computations to give effect to the revised basis for the previous six years. This produced a higher profit in four of those years, and a lower profit in two of them. The Revenue raised additional assessments for the four years, but refused to give relief to the company for the other two.

11. The company made its claim for relief under section

66 - 'Error or mistake'. The section gives a certain discretion to the Revenue in granting or refusing relief, in particular by reference to the consideration of 'other years'. The grounds for their refusal in this case were that if the revised basis of stock valuation had been applied to years *before* the six-year period, the profits of some of those earlier years would be shown to have been understated.

12 This procedure, which can hardly have been intended by section 66, appears to have the support of head office but the Council submits that such treatment is improper and that the position should be remedied.

#### Double Taxation Relief

13. Section 201 of the Income Tax Act, 1952, relates to relief from tax on dividends from companies resident abroad. Where a dividend is paid from profits on part of which the body corporate concerned has paid United Kingdom income tax a United Kingdom recipient of the dividend is entitled to relief from the tax chargeable on him in respect of the appropriate fraction of the dividend. It is presumed to be the intention of the legislation that United Kingdom shareholders shall not be doubly charged to United Kingdom tax in respect of dividends paid partly out of United Kingdom profits of foreign companies. Consequently relief under section 201 should be calculated at the claimant's highest rate of tax (excluding surtax) which will normally be standard rate. However, the Council understands that some inspectors of taxes attempt to restrict relief to the taxpayer's effective rate of United Kingdom tax where this happens to be less than standard rate. It is understood that this is in accordance with a general instruction. There is evidence that on being pressed inspectors admit that the matter is not free from doubt and will give way. The Council submits that the Revenue interpretation is inequitable and should be modified to accord with the views expressed above.

#### Profits Tax - Directors' Emoluments

14. In a letter to the Chancellor of the Exchequer dated February 27th, 1963, the President, on behalf of the Council, raised the question of the limitation of amounts deductible in respect of directors' remuneration for profits tax purposes in the case of director-controlled companies, and submitted that the limitation should be abolished, or, if this were not possible, raised, at least as regards the amount allowable in respect of any one director. (A copy of the letter is attached herewith.<sup>1</sup>) The Council wishes to reiterate its submissions on this score.

#### Profits Tax - Section 17, Finance Act, 1954

15. Where a trade is transferred between related companies under common control any unutilized losses carried forward to which the transferor was entitled at the date of transfer may for income tax purposes be carried forward to the acquiring company under paragraph 3 of the Third Schedule of the Finance Act, 1954, but no such carry forward is available for profits tax purposes. The Council submits that this is a legislative anomaly which should be amended by bringing the profits tax legislation into line.

#### Subvention Payments

16. For payments to qualify as subvention payments under section 20, subsection 9 of the Finance Act, 1953, both the payer and payee companies must be resident and carrying on a trade in the United Kingdom. The Revenue's interpretation (which is not free from doubt) that both the companies must be carrying on a trade at the time of payment causes considerable difficulty in the last year of a company's trading because the final results will not be known until trading has ceased; it is necessary in such cases to estimate the final figures for the year and to make a

<sup>1</sup> Not reproduced.

subvention payment based on that estimate before trading ceases. Such a payment may well be over- or understated to a material extent and this difficulty would be overcome if the law were amended to provide that the final subvention payment could be made after the company had ceased to trade.

#### Payments of Tithe Redemption Annuities

17. Section 31 of the Finance Act, 1963, in dealing with tithe annuity payments, provides in effect that for 1963-64 no relief shall be given under section 97 of the Income Tax Act, 1952, and that for subsequent years such payments shall not be included among the deductions provided for by Schedule 4 to the Finance Act, 1963. In place of such reliefs against Schedule A assessments and rents, respectively, section 31 provides for five-sixths of any tithe annuity payment to be deducted from or set off against 'the income of the person making the payment . . .'. While this relief appears adequately to meet the case of the private landowner it can by itself lead to hardship in the case of the farmer or

other trader who owns land which is employed as an asset in a business assessed under Case I of Schedule D. Up to and including 1962-63 such a trader was allowed to deduct in computing his profits assessable under Schedule D, not only the net Schedule A assessment but also five-sixths of his tithe annuity payments. The Council understands that for 1963-64 district inspectors are declining (presumably on head office instructions) to allow any deduction in Schedule D computations for five-sixths of tithe annuity payments. Where the trader possesses no statutory income for the year of assessment (because he has a trading loss - or a profit covered by capital allowances - and no other sources of income) he can obtain no relief whatever in respect of his tithe annuity payments. The Council suggests that the practice should be continued of allowing five-sixths of the tithe annuity payments as a deduction in computing profits or losses for the purpose of Cases I and II of Schedule D. In the type of cases instanced relief would then be obtained by including five-sixths of the tithe annuity payments as part of the loss carried forward.

## Universities and the Profession

THE seventh conference convened by the Joint Standing Committee of the Universities and the Accountancy Profession was held at Willoughby Hall, University of Nottingham, last week-end. In addition to members of the Councils of The Institute of Chartered Accountants in England and Wales and of The Association of Certified and Corporate Accountants there were present members from the universities of Birmingham, Bristol, Hull, Leeds, Liverpool, London, Manchester, Newcastle upon Tyne, Nottingham, Southampton and Wales (University College, Cardiff) which are represented on the Joint Standing Committee. Also present by special invitation were members of the Universities of Durham, East Anglia, Keele, Lancaster, Leicester, Reading, Wales (University Colleges of Aberystwyth and Swansea), Warwick and York. Dr J. M. Whittaker, M.A., D.Sc., F.R.S., Vice-Chancellor of the University of Sheffield and Chairman of the Joint Standing Committee, presided at the sessions.

#### Discussion Sessions

Discussions ranged over a wide variety of topics and included accountancy teaching, the need for recruitment of graduates of all faculties into the accountancy profession and the place of business and management studies in the university at undergraduate and post-graduate level. Talks were also given by Mr G. R. Ricketts, Secretary of the Royal Institute of British Architects, and Mrs E. Layton, an Under-Secretary of that Institute, on the education and training of architects.

The scheme operating under the Joint Standing Committee relates to courses available at universities where accountancy, economics and law are read as part of the degree course. Graduates who have followed such courses are eligible, as are other graduates of United Kingdom universities, for a reduction of two years in their period of professional training; in addition they may claim exemption from the Intermediate examination of the Institute or of the Association.

#### Presentation to Dr J. M. Whittaker

On the Saturday evening a cocktail party was held by kind invitation of the Vice-Chancellor of the University of Nottingham. Later that evening the Joint Standing Committee acted as hosts at an informal dinner at Willoughby Hall; the guests included Mr B. L. Hallward (Vice-Chancellor), Professor N. Haycocks (Deputy Vice-Chancellor), Mr A. Plumb (Registrar of the University of Nottingham), Dr Barbara Reynolds (Warden of Willoughby Hall) and Mr A. A. Dennis (Nottingham City Treasurer). At the conclusion of the dinner a presentation was made to Dr J. M. Whittaker on the occasion of his retirement after ten years as chairman of the Joint Standing Committee. Mr C. F. Carter, Vice-Chancellor of the University of Lancaster, was elected chairman in succession to Dr Whittaker at a meeting of the committee held at the conclusion of the conference on Sunday.

On the Sunday morning, members of the conference attended a church service in the university chapel. The service was conducted by the Rev. A. R. C. Leaney, Senior Lecturer in Theology at the University.

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## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Annual Meeting

The annual meeting of The Institute of Chartered Accountants in England and Wales will be held in the Assembly Hall, Church House, Westminster, London SW1, on Wednesday, May 6th, at 11 a.m., and will be followed by a special meeting for the purpose of considering amendments to the Supplemental Royal Charter and certain bye-laws. In the afternoon, three simultaneous business sessions will be held.

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

### Annual General Meeting

The annual general meeting of the Chartered Accountants' Benevolent Association will follow the special meeting of the Institute referred to above.

## THE 'RED BOOK'

The newly-published 1964 *List of Members* (the 'Red Book') of The Institute of Chartered Accountants in England and Wales records a total membership of the Institute of 37,880 compared with the previous year's figure of 36,581. The following table shows the number in each class of membership:

### Members in practice within the Metropolis

Fellow .. .. .	2,738
Associate .. .. .	681
Incorporated accountant member F.S.A.A.	3
Incorporated accountant member A.S.A.A.	4
	<hr/> 3,426

### Members in practice in the United Kingdom but not within the Metropolis

Fellow .. .. .	6,042
Associate .. .. .	1,533
Incorporated accountant member F.S.A.A.	15
Incorporated accountant member A.S.A.A.	4
	<hr/> 7,594

### Members residing in but not practising in the United Kingdom

Fellow .. .. .	11,201
Associate .. .. .	10,116
Incorporated accountant member F.S.A.A.	806
Incorporated accountant member A.S.A.A.	184
	<hr/> 22,307

### Members not residing in the United Kingdom

Fellow .. .. .	1,957
Associate .. .. .	1,671
Incorporated accountant member F.S.A.A.	643
Incorporated accountant member A.S.A.A.	282
	<hr/> 4,553

Total .. .. .	<hr/> 37,880
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## PROFESSIONAL NOTICES

MESSRS DAVIES & Co, Certified Accountants, of 36-38 College Road, Harrow, Middlesex, announce that they have taken into partnership Mr D. C. SETCHELL, A.A.C.C.A., with effect from April 1st, 1964. The style of the firm remains unchanged.

MESSRS DRURY, THURGOOD & Co, Chartered Accountants, announce that from April 6th, 1964, they have entered into an association with Messrs READS, COCKE & WATSON, Chartered Accountants. The present partners of Messrs DRURY, THURGOOD & Co, have been joined by Mr W. C. CANN, F.C.A., and Mr G. R. S. ELCOMBE, M.A., A.C.A., partners in Messrs READS, COCKE & WATSON. Both firms will continue to practise in their own names from their respective addresses.

MESSRS HARMOOD-BANNER, CASH, STONE & MOUNSEY, London, announce the retirement on April 30th, 1964, of Mr C. E. PEERS, F.C.A., and the admission into partnership on May 1st, 1964, of Mr NICHOLAS BUTTERWORTH, A.C.A. Mr PEERS will remain available in a consultative capacity.

MESSRS HARMOOD-BANNER, CASH, STONE & MOUNSEY announce that they have formed an international firm in conjunction with Messrs J. K. LASSER & Co, of the United States of America and Mexico, and Messrs JAMES DUNWOODY & Co, of Canada. The international firm will be known as Messrs LASSER, HARMOOD-BANNER & DUNWOODY.

MESSRS HOWDEN & MOLLESON, Chartered Accountants, of 8 York Place, Edinburgh, announce the dissolution of their firm at March 31st, 1964.

MESSRS GRAHAM, SMART & ANNAN, Chartered Accountants, of 21-22 Charlotte Square, Edinburgh 2, announce that Mr G. M. BYRES, C.A., Mr H. FORBES MURPHY, C.A., Mr I. M. SHAW, C.A., and Mr W. N. HERBERTSON, C.A. (formerly partners of Messrs HOWDEN & MOLLESON), have joined the firm.

MESSRS SCOTT-MONCRIEFF, THOMSON & SHIELDS, Chartered Accountants, of 17 Melville Street, Edinburgh 3, announce that Mr JAMES A. WALKER, C.B.E., C.A., Mr J. D. M. WATSON, C.A., and Mr E. R. L. WALKER, C.A. (formerly partners of Messrs HOWDEN & MOLLESON), together with Mr DOUGLAS G. MANSION, C.A., have joined the firm.

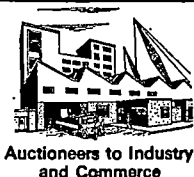
The partners of SPICER & PEGLER, Chartered Accountants, announce with profound regret the death of Mr BRIAN POLLOTT and his wife in a motoring accident in France on Sunday, April 19th, 1964.

MESSRS PRINCE, SIMON & Co announce that Mr R. A. DUPARC, A.C.A., who has been associated with the firm since 1954, has been admitted into partnership as from April 6th, 1964.

## HENRY LEWIS & CO

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MESSRS READS, COCKE & WATSON, Chartered Accountants, announce that from April 6th, 1964, they have entered into an association with Messrs DRURY, THURGOOD & Co, Chartered Accountants. The present partners of Messrs READS, COCKE & WATSON have been joined by Mr R. G. SCOTT, B.A., F.C.A., a partner in Messrs DRURY, THURGOOD & Co. Both firms will continue to practise in their own names from their respective addresses.

MESSRS ARTHUR STUBBS & SPOFFORTH, Chartered Accountants, of Tudor Court, 52 Richmond Road, Worthing, Sussex, announce that Mr RICHARD ANTHONY FREDERICK HEWS, A.C.A., has been admitted into the partnership.

MESSRS THOMPSON & WOOD, Chartered Accountants, of 22 Broad Street, Hereford, announce that on April 6th, they came to an arrangement with Messrs WILLIAM E. LITTLE & Co, Chartered Accountants, of Ross-on-Wye and Eltham whereby the existing partners of both firms became partners at the Hereford office. The practice will be known as WILLIAM E. LITTLE & Co, incorporating THOMPSON & WOOD.

### Appointments

Mr G. V. Biggs, F.C.A., secretary of Associated Fisheries Ltd, has been appointed a director of the company.

Mr Sydney Croudson, F.C.A., has been appointed vice-president of the Leeds and Holbeck Building Society.

Mr R. E. C. Jobling, F.C.A., group secretary of Messina (Transvaal) Development Co Ltd, has been appointed alternate director to Mr R. P. Grenfell, B.A., F.C.A.

Mr F. R. B. Lockwood, F.C.A., has been appointed managing director of A. & S. Henry & Co Ltd.

### ECONOMIC CONDITIONS IN SWEDEN

A further booklet in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has now been issued covering Sweden. Copies of the booklet are obtainable from H.M. Stationery Office, price 5s.

### WEEK-END SCHOOL

The fifth residential week-end school of the British Association of Accountants and Auditors will be held at New College, Oxford, from July 24th to 26th, when there will be talks on 'Tax planning', 'Management accounting' and 'The position of a shareholder in relation to company administration'. A 'Taxation brains trust' will also be held.

### BRADFORD AND DISTRICT CHARTERED ACCOUNTANT STUDENTS' SOCIETY

At the recent annual general meeting of the Bradford and District Chartered Accountant Students' Society the following officers and committee were elected for the year 1964-65.

*President:* Mr M. Bendig, F.C.A.

*Vice-Presidents:* Messrs C. Luxton, F.C.A., and L. W. Hustwick, F.C.A.

*Secretary:* Mr T. C. Jason Wood, Ingfield, Baildon.

*Treasurer:* Mr I. F. Pattison.

*Assistant Secretaries:* Mr J. K. Bagnall (Lectures) and Mr H. J. Briggs, B.COM. (Membership).

*Newsletter Editor:* Mr B. Hopkinson.

*Librarian:* Mr C. J. Binns.

*Committee:* Messrs R. S. Clough, J. S. Fisher, C. G. M. Green, J. M. Holdsworth, M. Lennox, D. S. Rastrick, D. Armitage (Huddersfield Branch representative), and Mr F. Dean, F.C.A. (representative of the district society committee).

### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LEEDS

At the recent annual general meeting of The Chartered Accountant Students' Society of Leeds, Mr Iain Longman, of 'Westwood', Weetwood Park Drive, Leeds 16, was elected secretary of the society for the year 1964-65.

### PORTSMOUTH AND DISTRICT CHARTERED ACCOUNTANTS STUDENTS' SOCIETY

The new secretary of the Portsmouth and District Chartered Accountants Students' Society is Mr Geoffrey H. Wells, c/o Messrs Morris, Crocker & Co, 102 Victoria Road North, Southsea, Hants.

### ANNOTATED TAX CASES

Part 8 of Volume XLII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports with notes on the judgments of the following cases: *Doughty's Trustees v. C.I.R.* (C.A.); *Petrotim Securities Ltd v. Ayres* (No. 2) (C.A.); *Soul v. Irving* (C.A.); *Leiserach and Another v. C.I.R.* (C.A.); *Jarvis Robinson Transport Ltd v. C.I.R.* (Ch.D.); *De Vigier v. C.I.R.* (C.A.); *Seaman v. Tucketts Ltd* (Ch.D.); *C.I.R. v. Frere* (C.A.).

The annual subscription to the *Annotated Tax Cases* is 50s post free; the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

### LONDON CHARTERED ACCOUNTANTS' TAXATION CONFERENCE

In the caption to the photograph on page 497 of last week's issue, the name of Mr K. P. Smith was incorrectly transposed with that of Mr D. W. Gibson.

MOTOR — FIRE — CONSEQUENTIAL LOSS  
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## J.Dip.M.A.

OF the five participating bodies in the recently announced scheme for a joint diploma in management accounting services, The Institute of Chartered Accountants in England and Wales and The Institute of Cost and Works Accountants will each have four members on the controlling board, The Institute of Chartered Accountants of Scotland will have two and The Institute of Chartered Accountants in Ireland and The Association of Certified and Corporate Accountants one each. The scheme will be financed initially by loans made in the above representative ratio and any annual deficits will be made good in the same proportions. Income will consist of registration, examination and diploma fees and the expenditure will include examiners' remuneration and administrative and establishment charges. The board will endeavour to ensure that as far as possible its activities are self-supporting.

These and many other details are contained in a booklet just issued under the joint imprint of the five bodies concerned. All the participants are bound to the scheme for the first five years of its existence and thereafter anybody wishing to withdraw must give at least two years' notice of its intention to the others. A date for the commencement of operations will be published later.

Before coming under starter's orders, each candidate must be 26 years old or more and a member of one of the participating bodies and have had at least two years' acceptable experience after qualifying in management accounting services either in industry or in management consultancy. For this purpose, 'industry' is confined to 'the extractive and manufacturing industries'. Much less succinctly, 'management accounting services' is described as:

'... the application of accounting knowledge for the purpose of organizing, selecting, compiling and presenting accounting, quantitative and statistical information derived from all the relevant records of a business to assist those responsible for management in controlling the business and in the making of day-to-day decisions and in the formulation of policy, together with the application of knowledge and experience of:

- (a) techniques for the organization, control and measurement of production and ancillary services and for the control, measurement and remuneration of human effort;
- (b) commercial and management practices; and
- (c) office organization, methods and equipment'.

Having reached the required age and obtained the necessary preliminary qualifications, academic and practical, the candidate may then present himself for Part I of the examination. This consists of six written papers occupying in all seventeen hours. The booklet does not state at which time of the year or at what

intervals the examination will be held. After having cleared this hurdle, the candidate will have to serve for a five-year period acquiring further practical knowledge. He will then have to take a *viva voce* on the experience he has gained, sit Part II of the examination which will entail the submission of a thesis on the subject of his choice and undergo another *viva voce*, this time on the subject of his thesis. If he is successful, he will be awarded the diploma after the formality of paying the stipulated fee, his name will be entered in a diploma register to be kept by the board and he will be entitled to use the designation 'J.Dip.M.A.' His name will, thereafter, be removed from the register only on his death or resignation either as a diploma holder or as a member of the participating body to which he belongs or in the unhappy event of his being 'excluded or suspended or expelled' from membership of that body.

An important variation to this time-table will be in the form of a temporary concession to members who are aged over 40 years when the scheme begins. Any member in this age group who wishes to apply for the award of a diploma 'at any time during the three calendar years next following the date of commencement of the scheme' may seek to obtain exemption from Part I of the examination. If this is granted then the first condition of the syllabus which he will have to fulfil is the serving of a period of five years' practical experience starting from the acceptance of his application.

As already mentioned, the written papers forming Part I of the examination will be five in number and appear systematically and in complete detail to cover the board's definition given above. The first paper, entitled 'Management accounting', lasts six hours and includes questions on the analysis and control of manufacturing, selling, distribution and administration expenses; the preparation and use of forecasts and budgets of all types; the operation of budgetary control, standard costing, marginal techniques and internal control and the presentation and interpretation of information for management.

After this fiery baptism, the second paper to be tackled is on 'Management principles'. Three hours are allowed to answer questions on the development of material and human resources; the factors which affect production, marketing,

purchasing, selling, research, development and personnel; the methods of measuring and remunerating labour; and on organization charts. Candidates, the syllabus notes, will be expected to have a knowledge of plant, processes and production control in at least one industry. Paper 3, also of three hours' duration, will deal with 'Office machines and methods and data processing' and will entail a close acquaintance with equipment ranging from peg-boards and slide rules to mechanized accounting systems and electronic computers, including the basic principles of computer planning.

Paper 4 (two hours) on 'Analytical techniques' will test the candidate's knowledge of the source and compilation of business statistics and their use for scientific sampling, control processes and the evaluation of capital projects and movements. The fifth and last paper (three hours) includes, under the title of 'General financial knowledge and investigations', the integration of financial and cost accounts; inquiries into the state of a business or section of it; purchase and merger considerations; and methods of raising or accumulating capital.

As will be seen from this outline, by the time the candidate hangs his certificate of award on the wall of his office (or, more likely, puts it away in a drawer with his other parchments) he will have thoroughly demonstrated his competence on paper as well as in practice. The question which only time will answer is how many executives will care to take this testing course. The great number of those already established in responsible and rewarding jobs can have little desire to underline, as it were, their undoubted ability and so the temporary concession to the over-forties may not attract many candidates. It is the younger men anxious to prove themselves who will come forward, and if the minimum age of 31 is not considered too long to wait before doing so then the scheme should prosper if only because there is always a host of applicants knocking at the door of preferment. It is evident, now that the conditions have been made known, that the joint diploma will be no lightly won distinction and it is on this that the real success of the scheme, for which everyone hopes, may turn. Whatever happens, the J.Dip.M.A. must be regarded as an award for merit and not merely as a means to personal advancement.



# Taxing Company Profits

## THE NEW ACCOUNTS BASIS

WHEN the CHANCELLOR rejected the idea of a single tax to replace income tax and profits tax on company profits, he added a rider that he would like to find a common basis of assessment for both the existing taxes. He said that the Inland Revenue were examining this possibility with outside experts. That was in April 1963. In the Budget speech a year later he announced that a workable scheme had been evolved but that it was desirable to make its details known to business men generally before the Government were committed to accepting it. Accordingly the CHANCELLOR has authorized the drafting of the main legislative provisions which would be needed to put the new scheme on the Statute Book. These provisions were published on Tuesday as Appendix A to a White Paper.<sup>1</sup>

Appendix A of the White Paper is followed by Appendix B which consists of notes explanatory of Appendix A. Finally there is Appendix C which is a brief one page note on the computation of capital allowances for profits tax purposes. We mention the appendices first because they take up thirty-five of the thirty-eight pages of text in the White Paper. The main body of the White Paper, consisting of three pages, is merely an introduction to the appendices.

The clauses have been drafted on the basis that 1965-66 would be the first year of the new system, but it could not in fact come into effect as early as that since the Inland Revenue have indicated that they would need another year *after* the passing of the legislation to make the administrative arrangements for the changeover. Although the Government have not committed themselves one way or the other, they point out in the White Paper that the necessary enactment would take a good deal of Parliamentary time. Moreover, in certain types of cases the flow of revenue to the Exchequer would be retarded, adversely affecting the budgetary position for particular years.

The basic problem is, of course, simply stated.

The present system of bases of assessment is at best a compromise. The general rule is to adopt the preceding year's profits for the tax assessment for the year. Where regular twelve-month accounting periods are adopted, this works well from year to year for an established company. But for the beginning and the end there have to be the 'commencement and cessation provisions'. Under the former, one set of profits is reflected in up to three different assessments. Under the latter, some profits inevitably are not reflected in any assessment at all. Therefore, over the life of the company, it can only be by coincidence that the total profits equal the aggregate of the assessments made on them. As the White Paper says, this fact can not only cause hardship, it gives opportunity for avoidance also.

The same considerations apply to individuals who carry on a trade, profession or vocation, but the difficulties of dealing with them on an accounting period basis are obviously so formidable that they have been left out of account altogether. The new scheme is for 'companies', which are defined in the draft legislation as including any body of persons, but not including a partnership. Where a company is in partnership with one or more individuals, then the new scheme would apply to the company alone. Its main object in every case will be to get rid of the anomalies inherent in the existing basis; i.e. to secure that in future, over the life of the company, tax will be paid once, and once only, on the whole of the profits.

The main features of the scheme are set out in the White Paper as follows:

- (a) assessments on the trading profits of companies would be made not for years of assessment but for accounting periods (as for profits tax);
- (b) the rate of tax fixed for any income tax year would be applicable to the profits of any accounting periods, or parts of accounting periods, falling within the *previous* income tax year;
- (c) in the case of existing companies which

<sup>1</sup> Cmnd 2347. H.M.S.O. Price 2s 6d net.

keep their existing accounting dates, tax will continue to be payable on January 1st each year. The due date for companies which advance their accounting date will be advanced correspondingly. For new companies the date will be nine months after the end of the accounting period;

(d) on cessation, a company whose trade started before the new scheme was introduced will, in general, be given relief from tax on the smaller of the two following amounts:

(i) the profits of the period of  $x$  months which would have escaped assessment if the company had in fact ceased to trade immediately before the new scheme was introduced;

(ii)  $\frac{x}{36}$  of the profits of the last thirty-six months before cessation.

As regards (a), the rules of computation would be those in force in the tax year in which the accounting period ends. The accounting periods of a trade will be successive periods of twelve months, beginning with the commencement of the trade. Cessation of the trade means cessation at the same time of the accounting period. The same applies where the company ceases or commences to be chargeable, as when it changes its residence to or from abroad.

As the rate of tax imposed for say 1967-68 would apply to accounting periods in the preceding year 1966-67, it follows that in the case of a company which made up accounts for the year to December 31st, 1967, one-quarter of the profit applicable to 1966-67 would be charged at the 1967-68 rate. Three-quarters of the profit, i.e. that apportioned to the remaining nine months to December 1967, would be charged at the 1968-69 rate. The general rule will be that payment of tax will take place nine months after the end of the accounting period. Obviously where the period ends in say May, it will not be known what next year's tax rate will be within the nine months. Additional assessments will be necessary. However, it will be seen how the new scheme would in general fit in with a Budget announced in April for the ensuing Exchequer year.

There are some complicated transitional provisions. Perhaps the most questionable aspect of

the new scheme is the decision to give relief to companies on their cessation, if they were paying tax before the change. This is based on the principle that such companies would normally be looking forward to some profits escaping assessment when the trade ceases, and seeks to give them some compensation for the loss of that expectation. Of course in abstract justice there is something to be said for making compensation for this. But it would be no new thing if such companies were left without compensation. When P.A.Y.E. was introduced during the war, a great deal of tax was remitted in order to bring the general body of employees into the new scheme. Civil Servants, who were already on an effective P.A.Y.E. basis, received nothing. Over their official lives, therefore, they paid more tax than their fellows outside the Civil Service.

Given the principle that compensation must be made, the scheme chooses an oddly complicated way of doing it. There are to be two separate computations of relief on different bases, and the company receives the lower of the two, viz.:

(a) the profits of the period which would have been left out of assessment if the company had ceased to trade on the introduction of the new scheme, e.g. on April 5th, 1967, if that is the day on which the new scheme is introduced;

(b) the amount of the profits that would have been earned in a period having the same length as the period in (a) on the footing of profits at a rate equal to the average rate of profits in the three years preceding the actual cessation.

Although under (a) one assumes cessation at April 5th, 1967, nevertheless, the provisions about valuing stock at market price (rather than the lower cost) are not to be applied. This is said to be because to apply section 143 would 'vitate the comparison'. It need hardly be said that losses in those last three years will further complicate an already complicated process, and the draft legislation makes appropriate provision for them.

The existing artificial rules about basis of assessment greatly complicate the scheme of capital allowances. The draft legislation provides for consequential alteration of the scheme to fit in with the simpler accounting period basis. Here again the law applicable will be that obtaining in the tax year in which the accounting period ends.

## The Association's Year

WITH a membership of 11,200 and new registrations during the past year at a record level, thus bringing the total of registered students and graduates to over twelve thousand, The Association of Certified and Corporate Accountants closes the past year with some cause for satisfaction at its continuing expansion.

Reviewing the events of 1963 in his address at the annual meeting last Tuesday, the President, Mr V. R. CHENNELL, F.A.C.C.A., reported with understandable satisfaction a significant improvement in the examination pass rate. Of the 713 candidates who sat Section II of the Final examination, 38 per cent – as against only 26 per cent in 1962 – were successful. Half of the 1,423 candidates sitting the first Section of the Intermediate (new syllabus) compared with only 37 per cent in 1962 were successful, as were 43 per cent of the 821 candidates in Section II.

The President stressed that the Council was still firmly committed to the educational policy formulated last year of promoting and encouraging the use of block release courses at colleges of further education. One of the limitations on the more extensive use of these facilities is their uneven distribution throughout the country. Another is the continued reluctance on the part of some employers to give their staff the necessary release. Progress in respect of the first problem is being made and as far as the second is concerned, the President reiterated the view of the Council and the Ministry of Education that such release facilities will come to form a major channel of recruitment to the profession. Hence employers who are not willing to use them will find themselves by-passed by ambitious staff wishing to qualify.

Reviewing the finances of the Association over the past year, the President noted that expenditure on publicity had increased by £3,500 to slightly over £8,000. Most of the increase was due to more extensive careers advertisements in the national and local Press. It is rather too early as yet to judge the effectiveness of this policy, but the Council remains convinced of the need to main-

tain its activity in this field. Although expenditure on branch and student activities continues to increase, the President felt impelled to repeat his predecessor's critical comments on the lack of support for branch activities evinced by so many members, more especially in the work of the district societies, quite apart from attendance at meetings or lectures. This, unfortunately, is a failing not restricted to any single professional body.

In common with the English Institute, the Association has found that expansion in numbers means a growing need for space. Efforts have been made to adapt the existing premises to current needs, but the scope is limited. Funds have been set aside for new premises if and when they can be found. Mr CHENNELL is critical of the current level of rents for business premises which, in his view, have not yet adjusted themselves to the existence of large blocks of vacant accommodation. Such reductions of rents, asserts Mr CHENNELL, must surely come, but progress in this direction is not aided by the fact that 'the Government – while busily trying to persuade other people to move out of London – is equally busily acquiring enormous blocks in the centre at rents which no one else can afford in order to house its own swollen departments which could just as easily operate in some of the provinces'.

The Taxation Committee's booklet on Case VIII has proved something of a best-seller, some fourteen thousand copies having been sold since last October. Of the content of this year's Budget, Mr CHENNELL remarks that it was neither unexpected nor exciting, but the effects of Mr MAUDLING's tax changes may be to give some stimulus to inflationary pressures as future wage demands reflect the rising cost of living. Nothing, deplors Mr CHENNELL, is proposed in the urgent matter of simplification of the tax system, although in an election year this was probably too much to hope for. Nevertheless he particularly regrets that nothing has been done about the Schedule E expenses rule since 1957 when it was last modified.

# An Auditor's Approach to Sampling

by K. A. SHERWOOD, A.C.A.

PROFESSOR ARKIN, in volume 1 of his *Handbook on Sampling for Auditors and Accountants* (published 1963) stated that there are three main methods of statistical sampling which may be used by auditors and accountants – estimation sampling, acceptance sampling, and discovery sampling. This article mainly deals with acceptance sampling, but ends with a brief introduction to estimation and discovery sampling.

Probably the best way to introduce acceptance sampling is to state firstly, what it achieves, and secondly, what it does not achieve. In the simplest terms it answers the question of the articulated clerk – ‘If you do not want me to check every entry in the purchase day-book, how many entries should I test?’ In other words, it applies a firm basis to our test checking techniques. However, it does not lay down a rigid audit programme, and it does not stop the audit clerk making those searching inquiries which are often the most important part of the audit.

## Existing Audit Techniques

Assuming that we have decided that a particular audit field does not require a 100 per cent check, how do we select which items are to be tested? In my experience it is normal to choose a month, or two or three separate months, within the year and check these exhaustively. We assume that these months are typical of a whole year's work, and base our judgement of the field of work accordingly. In making this assumption we are taking a risk – which I will call the auditor's risk. I shall be referring to this again later.

Most auditors have had the experience of discovering a batch of errors in the period tested and, as a result, extending their test or even asking the client to have the work re-checked; subsequently they find to their dismay that the original errors were isolated and did not fairly represent the error level. This risk, which always exists if there is less than 100 per cent test, I will call the client's risk. This, again, I shall be referring to later.

When an auditor signs his report on a set of

accounts, he is not certifying that the accounts are accurate and correct: he is simply giving his opinion as to whether they give a true and fair view. The auditor knows that even if he checked every single entry in the books he would not necessarily discover every error. How far short of complete accuracy can he go and still feel that he can sign an unqualified report? I would suggest that errors of up to 4 per cent should not worry him, but that if there are over 4 per cent errors he should make further tests or refer the matter to his client.

We all know the considerable value in using an internal control questionnaire in assessing the quality of a firm's records. With the help of a questionnaire and, except in the case of a first audit, the previous year's records, we are usually able to form a fairly good idea of what our detailed checks will reveal. It is thus possible to make a pre-audit assessment of the quality of the client's records. We can even consider them as quality A., B. or C. Why, then, do we have to make any test at all? The answer is that we have to prove the correctness of our assessment.

The extent of our test of a client's internal control depends on the extent of the records under audit. If there are fifty sales day-book entries per year, we probably check them all. If there are 50,000, we are unlikely to check them all, unless by the client's special request. It is probably true to say that as the number of items increases, the percentage of items that are checked decreases. Unfortunately, it is difficult to prove this from most audit programmes, as they rarely record the number of items under scrutiny in each test.

Perhaps at this point I should introduce the statistical concept of ‘population’. A statistical ‘population’ is made up of a number of units which in audit work may vary from entries in a petty cash-book to pre-numbered dispatch notes. I shall use the word ‘population’ in this article to describe the total number of items to which any one test could be applied.

Before we can tell our articulated clerk how much of the purchase day-book to check we have to consider each of the five controlling factors mentioned above, i.e. the auditor's risk, the

client's risk, the maximum error level, the quality of the population, and the size of the population. In fact, I doubt whether these factors are ever seriously considered; we have made a decision based on our general appraisal of the situation and our experience, and have concluded the test by making a second decision on the acceptable quality of the work as a result of the errors discovered by our clerk. But, since each of the five factors is capable of mathematical interpretation, our articulated clerk's question can be answered mathematically. Why, then, should we rely on our judgement decision? However much experience we have, the human brain is not so highly developed as to be able to process these five factors and produce the right answer without reference to the appropriate statistical tables.

### Acceptance Sampling

The basic idea of acceptance sampling is that a sample of items chosen at random from the field under review is tested exhaustively, and accepted or rejected on the basis of the number of errors found in the sample.

In the first place, we need to know the size of the sample and how it is to be selected. The size of the sample depends upon our predetermined choice of the five variable factors which I have already mentioned. In order to find the sample size we use tables. The ones which I shall refer to here are the Dodge and Romig tables, which were calculated for industrial quality control purposes in the Bell Telephone Laboratories in the U.S.A. Four parts of these tables are of interest to us:

1. Lot Tolerance Per Cent Defective (L.T.P.D.) – Single Sampling
2. Lot Tolerance Per Cent Defective (L.T.P.D.) – Double Sampling
3. Average Outgoing Quality Limit (A.O.Q.L.) – Single Sampling
4. Average Outgoing Quality Limit (A.O.Q.L.) – Double Sampling.

In simple English they represent the difference in approach between the external auditor and the internal auditor. The external auditor is interested in the quality of the work for the year of his audit: he regards that year as a unit on which he is reporting and he is interested in ascertaining that the work (=Lot) has not exceeded the maximum error level (=Tolerance Per Cent

Defective) which he has predetermined. The internal auditor, on the other hand, is more interested in whether over a long period of time the average outgoing quality limit (which is calculated after correcting all errors found in the sample) is within a predetermined tolerance: he is not particularly worried if in one year this is exceeded, as long as the average level is acceptable. In practice, the internal auditor is more interested in the trend of the A.O.Q.L. rather than in its absolute value. This article, however, is mainly concerned with the external auditor, who will use the L.T.P.D. tables.

The tables are based on the five factors which were mentioned above, the auditor's risk, the client's risk, the maximum error level, the quality of the population and the size of the population. The auditor's risk and the client's risk are fixed in the Dodge and Romig tables at a maximum of 10 per cent and 5 per cent respectively. If you wish to use other figures, it is necessary to use other tables, or calculate your own. The tables are arranged for both double and single sampling to cover various percentage maximum error levels. Each table is subdivided into six quality levels (for practical purposes I use only three of these). It is the relationship of the estimated quality level to the maximum error level that determines the size of the sample. For example, if you decide that your maximum error level is 4 per cent, and you estimate that the actual level is going to be 2 per cent, you will in fact need a far larger sample (for a population of 6,000 it would be 575) to ensure that the level is only 2 per cent, than if you estimated the quality level at  $\frac{1}{2}$  per cent (200). On the other hand, if your estimate of the population's quality is inaccurate and you check only a small sample, you run a great risk of rejecting as non-acceptable a marginally acceptable population.

### Single and Double Sampling

I mentioned above that the Dodge and Romig tables had separate tables for single and double sampling. It is also possible to use multiple or sequential sampling tables, but these are more difficult to apply. In single sampling a decision is taken after one sample has been tested as to whether or not the work under review is up to standard. In double sampling the first sample is much smaller, but only allows us to accept the work if it is very good, or reject it immediately if it is very bad. If, however, the number of errors found exceed the acceptance number, but

are less than the final number at which we would reject the work if we tested both first and second samples, we must take the second sample (which is usually about the size of the related single sample) and continue testing. If the number of errors reaches the rejection number, we can immediately stop sampling. If we complete the second sample and have less errors than the rejection number, we can, of course, accept the work.

For audit purposes it is preferable to use double sampling; in most instances it represents a time saving on single sampling, because in practice one rarely requires a second sample. In some audit work, however, e.g. debtor circularization, it is better to use single sampling rather than risk the possibility of a second sample.

After selecting the appropriate sampling table, we must estimate the size of the population. In practice, the estimate need not be very close, but it is better to overestimate than underestimate; otherwise the sample size may be too small and the auditor's risk increased beyond 10 per cent. In a short time, a junior clerk will be able quickly to estimate the population: of course, except in a first year, the previous year's records are available as a guide.

### Selection of Samples

The next problem is the method of selecting simple random samples. These must, of course, be probability samples, i.e. the probability of selection for each item in the population must be known. In the case of acceptance sampling, the probability that an item may be selected for the sample must be equal for all items in the population. In other words, each remaining item in the population, after one item has been drawn, must have an equal chance of being selected as the next item. To achieve this, it is necessary to use random number tables (these are lists of five digit numbers which have been thoroughly tested for randomness). Sufficient numbers for the sample are extracted from these tables; three, four, or five digits at a time (depending on the size of the population) and listed in correct numerical order. The population is then numbered, and the numbers which have been listed form the sample.

This method, however, is extremely lengthy. Fortunately, it is possible to use a quicker method, known as the frequency or systematic method, as long as the records are themselves in a random order (which is the case in most audit work).

Even where the work does follow a pattern it is possible with a little care to apply the frequency method as I will explain later.

To apply the frequency method, the population is first divided by the sample to arrive at a frequency. A random number is chosen, into which the frequency is divided. The remainder from this calculation becomes the first number in the sample: the first number plus the frequency becomes the second number in the sample, and so on throughout the population. For example – a population of 3,150 and a sample of 105 gives a frequency of thirty. We next select a random number from the tables (two digits only), say ninety-five. Dividing this by the frequency, we have a remainder of five, which is our first number in the sample. We thus test the fifth item, the thirty-fifth item, the sixty-fifth item, etc. If for some reason the frequency of thirty is unsatisfactory (we might be testing the casts of the discount and total columns of a cash-book and the above formula would mean that we would always check the discount column) the frequency should be adjusted downwards to twenty-nine.

In many large audits the testing work is carried through in two or three stages. On each occasion when the work is picked up again a new random start must be made to prevent any possibility of the client's staff calculating which entries will be checked. It also does not upset the randomness of the sample, if, in finding the next item for the sample, we miscount. Apart from confusing an inquisitive member of the client's staff, some approximation in the counting speeds up the extraction of the sample.

### Control of Audit

How does the auditor control a large audit that uses acceptance sampling methods? For my sampling experiments I have devised a method which incorporates acceptance sampling techniques into the framework of a standard (but not a standardized) audit programme. The programme is contained in a loose-leaf binder with an alphabetical control index and separate programme control sheets for each field of work; these describe briefly the various tests, and whether they are to be carried out by sampling or other methods. Each part of the internal control questionnaire is filed next to the programme control sheet. Behind the programme control sheet are the working sheets, which are of two sorts – an 'A' sheet, which gives spaces for keeping a check on how much of the sample has

been tested at any one time – and a 'B' sheet, which gives space for listing the items checked and is extremely useful for depth checking of purchases, sales, wages, etc.

At the end of both of the working sheets there are columns headed 'error analysis'. These enable us to distinguish between non-ranking errors, i.e. technical errors in which we are not interested as auditors (e.g. numbering errors or errors already corrected) and errors which count towards the acceptance number for that particular test. Further, we must not necessarily aggregate all such errors; many audit tests are fairly complex – e.g. half a dozen different sorts of error may be found in vouching a purchase invoice, because we are really doing six different tests. Each of these separate tests must, of course, be assessed on its merits.

One practical point that requires a certain amount of re-thinking is – what, in fact, are we testing? Most auditors clear all of one set of records to all of another: for example, private ledger postings for one complete month. But in sampling we are only checking the postings from the books of prime entry to the private ledger – we are not checking the private ledger postings back to the books of prime entry. Consequently, it is necessary to do the latter as a separate test, because otherwise we would have no check that all postings in the private ledger had passed through books of prime entry.

### Stratified and Cluster Sampling

Another practical matter – What is meant by an error level of 4 per cent? I have used it so far without differentiating between the value of individual items in the population. In some work the absolute value of items varies relatively little: e.g. petty cash expenditure. In other work individual items may vary from £1 to over £1 million. If we wish to give greater attention to the larger items as opposed to the smaller ones, we must stratify the population.

In its simplest form, stratification involves taking a sample of the smaller items and testing all (or taking a separate sample) of the larger items. Alternatively, the small items may be treated as one population, the medium sized as another, and the larger as another. If desired, different maximum error levels may be specified for each strata. Any number of strata may be introduced, the main purpose being to obtain a reasonable homogeneity of value or other classification within each sample. Unfortunately, there

is no simple method of scientifically stratifying a sample, only these *ad hoc* methods. However, this is one of the few instances where a common-sense approach does not upset the reliability of the sampling technique.

Apart from stratified sampling, there is what is termed cluster sampling. This is another method of selecting a sample whereby a group of items are chosen instead of individual items. This has definite practical advantages, but unfortunately it suffers from a number of statistical disadvantages. As a result, to achieve comparable reliability, it is necessary to increase the sample size so that most of the savings are negated. I do not recommend this method, and warn against its unwitting employment in the selection of unrestricted random samples.

On some audits there is a problem not only of size but also of geography. The client has several depots or branches, only some of which we wish to visit. On each visit we test a sample of the records. This is known as multi-stage sampling – a test of a random sample of records at a random sample of branches. Notice one thing – it is important that the branches visited are selected by random methods.

### Advantages and Disadvantages of Acceptance Sampling

Acceptance sampling techniques cause us to examine carefully the whys and wherefores of our audit work. The job of planning the audit programme becomes interesting and absorbing rather than routine. The standardization of working sheets has proved useful in reviewing the audit work quickly and informatively. My staff tell me that they have found the work more interesting, and there is no doubt that the standard of the audit work is higher. From the time angle there are savings, but these are difficult to quantify because much depends on the extent of the existing audit check. In the first year in which sampling is applied, and partly in the second year, a certain amount of time is spent in redesigning the audit programme.

While discussing the advantages of sampling, it ought to be mentioned that we are gaining records that we have never had before. If we were ever involved in a case of negligence, we would have detailed statements of the audit work that had been done. Apart from that, we would be able to quote the tolerances to which we worked and it would be these that would have to be judged. The most important decision,

therefore, is to fix the auditor's risk and the maximum level of error.

I have mentioned so far, acceptance sampling and four methods of selecting samples – unrestricted random sampling, stratified random sampling, cluster sampling, and multi-stage sampling. Acceptance sampling, however – even with double sampling – has certain disadvantages.

In the first place, acceptance sampling only enables us to accept or reject – it does not say how wrong (or for that matter how right) any particular piece of work is. True, by using double sampling we know whether the work is very good or very bad. But to measure the rate of error we must use estimation sampling.

In the second place, acceptance sampling purports to give us a clear-cut answer within certain limits of confidence, when in fact that is not possible. If we study the operating characteristic (O.C.) curve of the acceptance sampling plan of our earlier example (population 3,150, first sample size 105) we find that we are 90 per cent certain of accepting the population if it is 1.7 per cent wrong, only 60 per cent if it is 2½ per cent wrong; we are 78 per cent certain of rejecting it if it is 4 per cent wrong, and 95 per cent certain if it is 6 per cent wrong.

As the sample size increases so our confidence increases. If our first sample is increased from 105 to 205, we find that we are 95 per cent certain that we will accept the population if it is only 1.7 per cent wrong, while we are 94 per cent certain of rejecting it if it is 4 per cent wrong.

Nevertheless, acceptance sampling is a useful tool for audit work as long as our pre-assessment of internal control is realistic. The better the control, the more risk we can afford to take, particularly of accepting a population with an error level slightly over our stated figure. However, in those instances where there are marginal populations, it would seem probable from a study of the O.C. curve that there would be some doubtful results, where it is necessary to use the second sample. Where the first sample does not enable us to make a decision, I would suggest extending the sample and estimating the actual error level.

### Estimation Sampling

There are two characteristics in a population which can be estimated, namely, 'how many?' and 'how much?' 'How many?' is otherwise known as estimation sampling of attributes, e.g. what is the error level in the population? 'How much?' is

known as estimation sampling of variables, e.g. what is the total value of the population? The answers to both questions are expressed with a double qualification, e.g. that we are 90 per cent confident that the rate of error is 4 per cent  $\pm$  2 per cent. The confidence level and the degree of sampling error (i.e.  $\pm$  2 per cent) are chosen when fixing the sample size.

### Greater Value

I do not think that estimation sampling will be so easy to use as acceptance sampling, but it will have a greater value. For example, a large client with several hundred thousand stock items: it is possible to estimate the total value of the stock from a sample of only, say, 400 items. Not only is this of use to the auditor who will be able quickly to pick up a large error in the stock, but also of use to the internal accountant who wishes to have an approximate stock valuation shortly after the year end. It is also possible to estimate the average age of debts by this method.

One of the difficulties in operating estimation sampling by variables is that most accounting records have skewed distributions. Perhaps I had better explain. If we are talking about the heights of men between 25 and 35, we might find the majority of them are about 5 ft 9 in. tall, a good number are 5 ft 6 in. and 6 ft tall, a smaller number are 5 ft 3 in. and 6 ft 3 in. tall and a very small number are 5 ft and 6 ft 6 in. tall. If we plotted our findings on a graph, we would produce a bell-shaped curve.

On the other hand, if we were to plot figures from a stock sheet on to a graph, we would probably find that the curve rose to its maximum height quickly, and then dropped very slowly as it reached the maximum values.

This frequency distribution is known as a skewed distribution.

When we are dealing with estimation sampling, our best results are obtained when we have the so-called normal or bell-shaped curve. When we come to a skewed distribution, it is necessary to stratify the population to normalize the curve.

Lastly, a brief word about discovery sampling. It may well be that we are only interested in finding a single instance of a particular error. Unless we wish to check 100 per cent, we will check a random sample. If, on completing the checking of that sample, we have not found any example of that error, we can say that we are so many per cent confident that that error has not occurred with a sampling error of 'X' per cent.



# Money's Nicknames

by R. ROBERT, A.C.I.S.

**T**HE habit of applying nicknames to coins is very old. Among the ancient Greeks – the first to use money in this form – terms such as 'turtle', 'owl', and 'colt' were in everyday use. The derivation, of course, was from the designs on the reverse of the coins.

When the Spartan general, Agesilaus, declared that he had been obliged to withdraw from Asia by 10,000 Persian 'archers', he was alluding not to armed men but to the coins of that name which had been used to bribe and disaffect his troops.

The Romans, too, had their colloquialisms – the *sestertius*, for example, was popularly known as the 'nummus', whence comes the term numismatics, the science and study of coins.

One of the first English coins was the silver penny – which came, during the Middle Ages, to be highly prized abroad. Some of these early pennies bore the device of a star or *staerling* which, it is believed, gave rise to the term 'sterling'. Modern pennies, comparatively worthless, are made of bronze – but the old name of 'coppers', valid up to 1860, still applies. Quite possibly the penny, with a thousand years of history behind it, may soon become obsolete, and already someone has invented a nickname for its decimal successor – the *denny*!

North of the Tweed, by the way, the term 'bawbee' is used to signify the English halfpenny. A Master of the Mint, the Laird of Sillebawbee, is thought to have given his name to the real bawbees, which were first struck in the sixteenth century. Bawbees, in the plural, may also denote money in general, or cash.

## Bobs and Quids

The shilling is another old English coin which, when it first appeared during the reign of Henry VII, was known as the 'testoon' – because of its similarity to the Italian *testone*. Not until the reign of Edward VI was it christened the 'shilling'. When and why the popular nickname 'bob' was applied is not clear. Two suggestions, however, are worthy of consideration. First, that it is an abbreviation of 'bobstick': bob meaning 'small' and stick (from German *stück*) meaning piece – the small coin. Secondly, that the shilling became the 'bob' in the time of Sir Robert (Bob) Walpole,

our first Prime Minister. Dickens puts the word into the mouth of Mr Pickwick, who asks: 'Will you take three bob?'

Uncertainty also clouds the origins of 'quid' which, from about 1688 to 1800, signified the guinea, and afterwards the gold sovereign. There is, of course, the Latin word *quid*, but unless we can read into it the meaning of 'wherewithal', there seems little connection. The word had, and still has, a wide currency and survives in sayings such as 'Tip the quids' – to spend or lend money – and 'I'm quids in' – an Army phrase coined during the First World War that quickly caught on. The Edwardian 'It's a quid to a bloater' signified a certain bet. 'Quidlet' – the diminutive – is, nowadays, not often heard.

## Groats and Greenbacks

Individuals other than the reigning monarch have, on occasions, found their names applied to English coins. Robert Walpole and the bob are mentioned above. More certain in its derivation was the term 'joey', which was a name given to the groat – a silver piece worth fourpence. Towards the end of the reign of William IV, a small silver coin known as the 'Britannia' groat was struck at the suggestion of Joseph Hume, the economist and politician. He wanted a coin with which he could pay cab fares for short distances. The 'joey' was, in fact, found useful for this purpose, but the cabbies disliked it for until then their minimum fare had been sixpence.

Which brings us, naturally, to the 'tanner'. A hint in the *Oxford English Dictionary* that this nickname may have derived from the Gipsy *tawno*, meaning 'young' or 'little', is most unconvincing. Far more probable is the explanation that it was named after John Tanner, who was chief graver to the Royal Mint from 1741 to 1775, and distinguished himself by counterfeiting Cromwell's pattern coins (struck as a suggested type but never put into circulation). Early in the present century 'tannercabs' and 'tannergrams' (both phrases being self explanatory) gave this nickname an almost official status.

Paper notes, as well as coins, have acquired their popular synonyms. The £1 notes, first issued in 1914, became widely known as 'Bradburys', after the Bank of England cashier,

John Bradbury, whose signature they bore. The Bank's £25 note has for long been known as a 'pony'. 'Greenbacks', for notes, is an American expression.

### Money in General

This leaves us with a minor constellation of terms for money in general. One of the most down-to-earth is 'brass'. 'Where there's muck,' they say in the North of England, 'there's brass'. Towards the end of the First World War, Nottingham tramcars carried a poster which said simply 'Brass Up!' which meant, in this instance, 'Subscribe to War Loan'. The word is believed to date back to the sixteenth century and it appears in the works of Victorian novelists such as Mrs Gaskell, Miss Braddon and others. But here again, the numismatists are vague as to its origin. Perhaps there is some connection with the brass farthings, proverbially worthless, which circulated at one time in the form of tokens.

Another common synonym for money is 'tin' – which reminds one that the ancient Britons used tin coins. 'Spondulicks' originated in America in 1857 and became Anglicized thirty years later. The word 'lolly', probably derived from lollypop,

is a twentieth-century Cockney invention. 'Rhino' or 'ready-rhino', 'dough', 'oof', and 'dibs' are other epithets that still enjoy a limited vogue.

With regard to cash, there were Chinese coins named 'cash', which had a hole in the centre so that they could be threaded on a string. These coins, standard from the Tang Dynasty in the seventh century right up to 1900, have no connection with the English word cash, which derives from the French *caisse*, a box, chest, or case.

The uses of cash, in the lingual sense, are various. As a noun it means money in its most negotiable and desirable form: 'Ah, take the cash in hand,' advises Omar Khayyam, 'and leave the rest.' As a verb it does yeoman service in the phrase 'cash in' and 'cash out' – having full or empty pockets.

To 'cash a dog' is an Anglo-Irish bank clerk's expression and means to cash a cheque against non-existent funds. To 'cash one's checks' means to shuffle off this mortal coil. 'Cashed in', besides meaning to succeed financially, is a euphemism employed by Army men to signify 'killed'. 'Cash and carried', for married, is Cockney rhyming slang. So, too, is 'Jimmy O'Goblin' for gold sovereign.

## Weekly Notes

### THE NEW FINANCE BILL

THE Finance Bill following last month's Budget was published on Tuesday afternoon.<sup>1</sup> Notwithstanding the somewhat modest proposals in the Budget, which was of largely a standstill nature, the Bill manages to run to thirty-nine pages, containing twenty-four clauses and no less than nine schedules.

The first eleven clauses and the first six schedules relate to customs and excise and effect the changes announced in the Budget speech. Clause 11 imposes standard rate tax of 7s 9d for 1964-65, and clause 13 imposes surtax for 1963-64 at the same rates as for 1962-63. Clause 14 implements the promise to extend the benefits of section 17 of the Finance Act, 1954, to cases where a company disposes of part of its trade. Hitherto, the part trade transferred has been assessed under the new business provisions. Since the original trade continues to be assessed on the continuing basis, this meant double taxation. Clause 15 extends double tax relief in the manner promised by the Chancellor. Clauses 16-18 and the Seventh Schedule contain the threatened anti-avoidance provisions directed against devices connected with

the leasing of business assets. These provisions run to nearly two pages. Clause 19 seeks to extend tax liability to 'mutual' trading. The foregoing provisions constitute Parts I and II of the bill. Part III (Miscellaneous) contains five assorted clauses, including a clause exempting all contracts of employment from stamp duty, if executed after July 5th, 1964.

### A WORTHY CAUSE

SINCE it was formed in 1886, The Chartered Accountants' Benevolent Association has expended more than £373,000 in relief. This is but one of the many impressive facts contained in the report of the Board of Governors for the year ended February 29th, 1964 (reproduced elsewhere in this issue), to be presented at the seventy-eighth annual general meeting of the Association on May 6th.

Income from all sources for the last financial year amounted to £29,457 and after meeting modest expenses of £1,902, all but £3,590 was spent on administering relief. Subscriptions rose from £12,884 in 1962-63 to £14,271 in 1963-64 and investment income from £11,727 to £14,869.

The report states that the Board of Governors have become increasingly conscious of the fact that the secretarial and clerical assistance it has been receiving from the Institute without cost has, by virtue of the increase in the number of cases being assisted and the

<sup>1</sup> Bill 130. H.M.S.O. 2s 6d net.

growth in the number and value of investments, become very much greater. It is estimated that the cost of the services rendered by the Institute amounts to between £4,000 and £5,000 per annum. In the light of these circumstances, the Board feel it reasonable to make an annual contribution of £3,000 to the Institute for its services commencing on March 1st this year.

Appended to the report are brief particulars of the 141 deserving cases where assistance was given last year. The Association is supported by some 5,524 members – surely a low total considering the actual strength of the Institute now exceeds thirty-seven thousand five hundred. This worthy cause deserves better representative support from members.

### MODERNIZING THE BUILDING INDUSTRY

THE report of the Banwell Committee on the placing and management of contracts for building and civil engineering has been published this week by the Ministry of Public Building and Works. It has already been accepted in principle by the Minister concerned.

The committee says that the main impression given by the industry is of one where its progressive members are full of new ideas, but that the industry and its associated professions as a whole lag behind. They think that this slow movement by the majority is because each section of the industry has acted independently. It therefore considers that the construction industry as a whole must start thinking and acting together.

Among the committee's recommendations are endorsement of selective tendering in small as well as large contracts. It also considers that direct negotiation is sometimes preferable to selective tendering. It would, however, begin by encouraging local authorities to adopt selective tendering. It also thinks that the contractor should be appointed earlier in a contract than is commonly the practice by local authorities.

The committee also favour serial tendering to achieve better continuity of employment and the development of experienced production teams.

Mr Rippon, the Minister of Public Building and Works, said this week that in accepting the report the Ministry would be setting an example. Contract procedures are to be reviewed and where necessary the endorsement will be sought for changes from the Public Accounts Committee. There was a significant comment from the Royal Institute of British Architects when the report was published. It stated that it was examining its code of professional conduct which prohibits members from accepting directorships with contracting companies. If this modification takes place it means that architects will be much closer to and in a position of much greater authority in contracting firms. It would help to bring the construction industry and its associated professions closer together which is what the Banwell Committee recommends.

### THE ASSOCIATION'S NEW PRESIDENT

MR REGINALD STATHAM, C.B.E., J.P., F.A.C.C.A., senior partner in the firm of Reginald Statham & Co, Certified Accountants, of Newcastle



Mr Reginald Statham

under-Lyme, was elected President of The Association of Certified and Corporate Accountants for the year 1964-65 at a meeting of the Council held last Tuesday.

Mr Statham, who is 53 years of age, qualified as a member of the Corporation of Accountants in 1932 and commenced in practice on his own account in Burslem, Stoke on Trent, in 1933.

Elected to the Council of the Association in 1957, Mr Statham has served on all its standing committees and has been chairman of the Applications Committee and the Library and Publications Committee. He has also played a prominent part in the activities of the North Staffordshire District Society of the Association for many years and was president from 1955-58.

Mr Statham is a director of a number of companies and has been a member of the Birmingham board of the State Assurance Co Ltd for a number of years. He was appointed secretary of the North Staffordshire Federation of Small Mines in 1936 and has been a member of the Committee of the National Federation of Small Mines since its formation in 1946. He has also been associated with the Newcastle-under-Lyme Chamber of Trade and has been actively connected with many charitable and other organizations in Staffordshire during the past thirty years.

A member of the Newcastle-under-Lyme Borough Council from 1945-55, Mr Statham has also served as a member of the Newcastle-under-Lyme Education Committee and the Staffordshire Potteries Water Board. In 1948 he was appointed a Justice of the Peace and for the past five years has been vice-chairman of the Newcastle-under-Lyme magistrates.

He has taken a prominent part in the political activities of North Staffordshire for many years, serving as an officer of the Newcastle-under-Lyme Divisional Conservative Association from 1937 and from 1947-55 was chairman of the division. Since that time he has served as president. He is also a member of the North Staffordshire Conservative Finance Committee. In 1960, Mr Statham was awarded the C.B.E. for political and public services.

Mr George Leaning Barker, F.A.C.C.A., who is in public practice in Filey, has been elected Vice-President. Mr Barker, who was elected to the Council in 1951, served as President of the Association during 1961-62.

## INSTITUTE OF TAXATION

**A**DDRESSING the annual meeting of the Institute of Taxation in London last Tuesday, the President, Mr Frederick Bidston, F.A.C.C.A., F.C.I.S., F.T.I.I., said that the remarks of the Chancellor of the Exchequer in his post-Budget television interview could not pass unchallenged. Whilst it was realized that no taxation system could be presented in a series of short simple sentences and at the same time be equitable to all taxpayers, there were many examples where better and clearer drafting of legislation was desirable and where the existing complex code was inequitable. In this connection Mr Bidston expressed the hope that the Chancellor might refer to representations made by the Institute and other professional bodies.

Mr Bidston drew attention to the steady growth in membership of the Institute and in the number of examination candidates. He stated with regret that four members had resigned from the Council for various reasons, and he paid tribute in particular to Mr Victor Walton, F.C.A., for his many years of service. He welcomed the four new members to the Council: Mr Edgar T. Shepherd, F.C.A., Mr Allan A. Brent, F.C.I.S., Mr D. J. Pyne-Gilbert, F.C.A., and Mr D. N. Sims.

Mr Bidston concluded by drawing attention to the fact that after the end of 1964 all applicants for membership would have to have passed the Institute's own examinations. The passing of the final examinations of other professional bodies would no longer be a sufficient examination qualification.

*This is My Life . . .*

by An Industrious Accountant

## CHAPTER 222

**I**T was a big day for us when we introduced a punched-card system. Talk about the suspense before the curtain goes up for the first night, or the calm before the storm, or the count-down to blast-off . . . they were only trotting compared with our moment of culmination.

Looking back, the operation was a triumph for what modern jargon calls the 'common man'. We needed sales analysis to plan our future expansion; analysis not only department-wise and category-wise, but area-wise and traveller-wise and profitability-wise (you tend to talk wise-wise after listening for weeks to the punched-card salesman). We'd had a couple of hardworking and able girls slaving manually at the job but it got beyond them by dint of sheer volume, so punched-cards gave the answer.

To this day I don't know how our chairman was persuaded to take the plunge, and full tribute is due to him for his faith in his staff. He was timorous at first, as the only other local firm with punched cards had been bedevilled with frequent breakdowns and frantic week-end overhauls, but at last he consented. True, he had the expression of Sydney Carton going to the guillotine; it is a far far better thing I do . . . but at least he was with us.

The other directors concurred nobly, though inclined to warn me to keep the old system running concurrently. Just in case, you know . . . one can never tell, can one?

The staff rose magnificently to the occasion. They listened to the outline of the projected reorganization, studied the charts, and argued like a nest of bees. The girls seconded to the aptitude and indoctrination assignment ('training course' in normal parlance) came back with the calm confidence of veterans and

fell upon the sorting and tabulation with casual certainty. As one of them (a mother of twins in nursery school) remarked, it was child's play compared to raising a family.

The ledger clerks had some natural fears at first, redundancy being feared as the usual concomitant of mechanization, but we had future prospects planned for all of them. One to be assistant cashier; one to be transferred to costs; another to retire on early pension plus a gratuity. But there was one problem character (there's always one of these). He and I had a memorable discussion, one of those where tact and humanity and justice become inextricably confused.

He'd quite a good record on paper; largely because he'd never been caught out. He'd got away with less effort and more lead-swinging than anyone I'd known for years. He never questioned customers' remittances; it was less trouble though more costly for us to accept their calculation of discounts or allowances or returns. He didn't involve himself in answering their queries; it saved bother to ask the counter-assistant or the traveller to sort things out. His casual sick-leave was extensive and peculiar. Now he was sitting across the desk with a placatory grin and anxious eyes, watching his chickens coming home to roost at last.

But he wasn't the only employee whose neck was registering premonitory axe-conscious twinges. How many salesmen fear the revelations of quick detailed analysis? How guilty or incompetent was the senior character who urged a credulous director to abolish the area analysis which would show up his shortcomings?

However, the girls did a first-class job and the installation went without a hitch, becoming a show-piece for the punched-card people in six months. I was proud of my private long-term planning: commence with 40-column analyses, ledger posting with 80-columns in three years, E.D.P. five years after . . . until I overheard the verifier remarking smugly to the junior supervisor: 'Pity the boss is so short-sighted; he should have got us a computer right off; he must be getting old.'

# Reviews

## Control Accounting by Function

by A. DIXON, A.C.W.A. (Gee & Co (Publishers) Ltd, London. 21s net. Post free (inland) 21s 9d.)

This useful book describes a system of accounts that has the advantages of being simple, practical and providing the essential information required by a business for management and financial purposes. The main feature is a description of a more rational method of classifying expenditure. The conventional classification according to the nature of the expense (e.g. wages, rent, insurance, etc.) does not reveal very much of value about the business. Mr Dixon prefers the functional classification, where expenses are classified according to their purpose (e.g. selling expenses, administrative expenses, etc.). In practice this means that expenses are classified according to the departments which have been set up to perform these functions for the benefit of the business. It has two main advantages. Firstly, it indicates the cost of the function, and management can therefore make an informed decision as to whether it is worth while maintaining the department at its current level. Secondly, if expenditure is excessive, it is clear who is primarily responsible, i.e. the departmental head. Thus a reduction in the number of accounts is accompanied by an increase in effective control by management.

The major part of the book is given up to the application of functional classification to budgetary control and standard costing. This is clear, if not very exciting, and can be recommended to the management accountant who wants some new ideas about accounting systems. It cannot be recommended for students, since basic points of principle are often neglected. Thus an example of the costing of a by-product is given without any mention of the theoretical justification of the method used.

## Paciolo on Accounting

by R. GENE BROWN, PH.D., C.P.A., and KENNETH S. JOHNSTON, PH.D. (McGraw-Hill Publishing Co Ltd, Shoppenhanger Road, Maidenhead, Berks. 46s.)

Luca Paciolo, the fifteenth-century Italian monk and teacher, who wrote the first treatise on double-entry, thus earned himself the description 'the father of accounting'. It might be felt that a book dealing solely with this man would be dull. In fact it is the exact opposite, and makes extremely good reading. It is in three parts. The first, a biography of Paciolo is interesting and sufficiently short not to be boring. The best part is the second: a new translation in modern English of the treatise. It makes fascinating reading – not as an exposition of double-entry, since

there have been some better texts since 1494, but as literature. It is witty, alert and full of good advice. Even some of the jokes have survived the centuries. One thing stands out. Paciolo must have been an intensely interesting and alive person – a fascinating man to be taught by. The third part comprises a photographic reproduction of the first edition printed in 1494.

The whole book is stamped with the character of one of the great personalities of accounting and is well bound and beautifully printed.

## Wealth, Income and Intangibles

by J. E. SANDS. (Toronto University Press. London: Oxford University Press. 32s net.)

While it is generally agreed that economists and accountants should be able to find common ground, the fact is that a good deal of current accounting theory falls short of what economists require for their studies. This little book develops the thesis that the object of accounting is the measurement of wealth and income, and that the value of accounting in virtually all its uses rests ultimately on the adequacy of these measurements. A considerable problem is posed by the difficulty of definitions acceptable to both economists and accountants.

Written by a chartered accountant, who is now Associate Professor of Commerce in the University of Toronto, and who is a member of the Royal Commission on Taxation, this book offers much upon which the economist and accountant can agree. It also has the merit of being lucid and brief.

## Office Management

(Second Edition) by J. C. DENYER, A.C.I.S., A.C.C.S., A.H.A. (Macdonald & Evans Ltd, London. 30s net.)

In a small business the office manager may be in charge of the whole office administration, including several tasks which in a larger organization are handled by various officers with a narrower specialization of duties. This book discusses all the areas of office administration that can arise, except the duties of the company secretary and the accountant's technical functions. Eight main sections deal with organization, physical conditions, personnel, office systems, office machines, accounting machines, records and communications. Whole books can be written on each of these subjects, and about the subjects of many of the fifty-one individual chapters. The author stresses that he does not intend a comprehensive study. A bibliography is provided for further reading, arranged helpfully by sections.

Two classes of readers are envisaged. Some will be students preparing for the examinations of various professional bodies. A selection of examination questions is given at the end of each chapter, with a note of the examining body which set each question. Other readers will be office managers who will find

their attention drawn 'to those many aspects of office management which ought to receive attention, but often do not do so in practice'.

The arrangement in a large number of short chapters is an aid both to continuous reading and to easy reference. There are nearly two hundred clear and helpful illustrations. Most of the text has to be in general terms, but specific examples are provided by brief case-studies, of which there are twenty-one but could with advantage have been more. The descriptions of available office equipment and machines avoid the danger of becoming an advertisement by noting genuine differences, but ignoring 'sales gimmick' variations.

This is a mine of information for examination candidates and office managers alike, and a challenge to the latter to think again about some accepted practices.

### Principles and Practice of Book-keeping and Accounts

(*Seventeenth Edition*) by B. G. VICKERY, F.C.A., F.C.I.S., F.C.W.A. (Cassel & Co Ltd, London. 24s net.)

The latest edition of this textbook does not introduce any major changes in content or form. Like previous editions it is designed to guide students preparing for professional examinations in all aspects of accounting. It includes many worked examples and many exercises from past examination papers - with answers to the numerical questions.

The new edition incorporates the accounting implications of recent legislation, notably the Building Societies Act, 1962. The opportunity has also been taken to revise several sections so that they reflect recent developments in accounting practice and accounting equipment. Some new exercises have been added as a result of the latest trends in examination questions.

### A Course in Applied Economics

(*Second Edition*) by E. H. PHELPS BROWN, M.B.E., M.A., and J. WISEMAN, B.SC.(ECON.). (Sir Isaac Pitman & Sons Ltd, London. 35s net.)

This is a standard textbook, the second edition of which has been extended by the addition of four new chapters on rent control, job evaluation and the wage structure, the problem of under-employment, and the adjusting of the balance of payments between countries in an economic union. To make room for these new chapters, two chapters in the first edition are now omitted. Otherwise the coverage of the second edition is the same as the first, although the treatment therein has been extended.

The book is aimed primarily at the economics undergraduate, and in general is a little too advanced for the student taking economics in one of the professional examinations. On the other hand, such a student who wishes to understand how the economist analyses a problem can be recommended to study

one or two of the chapters in this book, in particular the chapters dealing with employment policy. There is no doubt that the new edition of this book will prove as successful as the first in meeting the needs of its readers.

### Law for Technology

by ROY DOUGLAS, B.SC.(LOND.), PH.D.(EDIN.). (Gee & Co (Publishers) Ltd, London. 30s net.)

There are already numerous textbooks which seek to expound the principles of English law and the justification for Dr Douglas's new book is that some knowledge of the law is required by technologists whose needs are not suitably catered for by existing texts. Starting with a brief outline of the development and machinery of English law in simplified form, the author discusses principles of contract law and the concept of torts and crimes. From this he goes on to outline the law of master and servant, trade secrets, patents, monopoly rights and restrictive practices.

Dr Douglas is lecturing in law to students for the Diploma of Technology, and is no doubt well apprised of their needs. His book seems very well suited to this particular audience.

### RECENT PUBLICATIONS

THE LAW OF RESTRICTIVE TRADE PRACTICES AND MONOPOLIES, second cumulative supplement to January 1st, 1964, by Sir Richard O. Wilberforce, Alan Campbell, M.A. and Neil Elles, M.A. xii+106 pp. 10x6½. Card covers. 25s post free. Sweet & Maxwell Ltd, London.

THE ECONOMICS OF TAKE-OFF INTO SUSTAINED GROWTH: Proceedings of a Conference held by the International Economic Association. Edited by W. W. Rostow. xxvi+482 pp. 9x6. 63s net. Macmillan & Co Ltd, London.

THE ECONOMICS OF CAPITAL UTILISATION: A Report on Multiple-Shift Work, by R. Marris. xviii+268 pp. 10x6½. 45s net. Cambridge University Press, London.

FISH AND CHIPS, by A. G. Street. 191 pp. 8x5½. 15s net. Robert Hale Ltd, London.

CHALMERS ON BILLS OF EXCHANGE, thirteenth edition, by David A. L. Smout, M.A., LL.B.(CANTAB.), LL.M.(BIEM.) xlix+420 pp. 9x6. 70s. Stevens & Sons Ltd, London.

WORKING CAPITAL, by Colin Park, PH.D., C.P.A., and John W. Gladson, M.S., C.P.A. ix+213 pp. 9½x6½. 6cs. Collier-Macmillan Ltd, London.

THE SECRETARIAL HANDBOOK, Supplement to the fifth edition dealing with the Stock Transfer Act, 1963 and other miscellaneous matters, by David Foster, LL.B. 24 pp. 8½x5½. Card covers. 5s post free. Main work and Supplement 15s post free. The Solicitors' Law Stationery Society Ltd, London.

THE STRATEGY OF ECONOMIC PLANNING: A Case Study of Pakistan, by Mahbub ul Haq. xi+266 pp. 9x6. 44s net. Oxford University Press, London.

STUDIES IN THE NATIONAL BALANCE SHEET OF THE UNITED STATES. A study by the National Bureau of Economic Research. Volume I by Raymond W. Goldsmith and Robert E. Lipsey. xxv+433 pp. 9½x6½. 68s net. Volume II by Raymond W. Goldsmith, Robert E. Lipsey and Morris Mendelson. xx+531 pp. 9½x6½. 60s net. Princeton University Press. London: Oxford University Press.

SECURITIES FOR BANKERS' ADVANCES, fourth edition, by J. Milnes Holden, LL.B., PH.D., A.I.B. xxxiv+382 pp. 9x6. 35s net. Sir Isaac Pitman & Sons Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

# Finance and Commerce

## Unilever Quarterly

FROM the accounting angle, the announcement of the introduction of quarterly figures is a leading point in the 1963 report of Unilever Ltd, whose accounts provide this week's reprint. Unilever is one of the very big companies that has led the way in the development of company reporting. In 1957, it introduced the half-yearly publication of turnover and results—in August and February.

'To meet the need for more frequent information', it is stated in the *Review of 1963*, 'the board has decided that in future the turnover and results will be announced quarterly, and there will therefore be additional announcements in May and November.' The warning is added that it is the long-term trend that matters rather than the short-term fluctuation.

The 1963 review repeats what was said when half-yearly figures were introduced. It was pointed out that, considered in isolation, such figures could be 'particularly misleading' for a business such as Unilever, since the prices of many of its main raw materials are subject to marked fluctuations. Over a longer period, the effect on profits was not so important because the fluctuations to a great extent cancelled each other out. This, it is emphasized, is even more true of quarterly results and, moreover, the effect of the seasonal pattern of trade on quarterly results can be very marked.

## Seasonal Regularity

Quarterly figures will, therefore, as the review says, need to be interpreted with care, bearing in mind that the nature of the business is constantly changing and that in Unilever long-term trends are more significant than short-term fluctuations.

A chart is given showing over three years the yearly, half-yearly and quarterly results, the figures being given in millions; exceptional items which of their nature may vary considerably, and outside interest in the results of subsidiaries, being excluded.

From this, it can be seen that 1961 quarterly profits of 11.2, 14.2, 12.7 and 12.9 produced 25.4 and 25.6 at the half-year and 51.0 for the year. For 1962, the quarterlies were 9.7, 16.1, 13.3 and 14.2 giving 25.8 and 27.5 at the half-year and 53.3 for the year. For 1963, the figures were 11.7, 16.8, 15.8 and 14.4 giving 28.5 and 30.2 at the half-year and 58.7 for the year. The short-term fluctuation can be seen in the quarterly figures but there is in it an element of seasonal regularity in the light of which future quarterly figures can be viewed.

One can hardly imagine that in such an organization as Unilever, the production of quarterlies has involved a special effort. In Unilever's internal accounting system, the figures, one feels, must have been there. Is it possible their publication owes something to that fact that in the year under review, a quotation for Unilever Ordinary Stock was granted in New York which long ago accepted quarterly figures as a normal requirement?

## By Division

Forty pages of Unilever report, crammed full with facts and figures, are too much for this column. But there are several points worth highlighting. Apart from the accounts most of it is in the *Review of 1963*, including an analysis of turnover which is best followed by being made part of the reprint. Each division is then given its separate, concise report with simple sales graphs and figures of sales—but not of profits.

Return on capital employed and on turnover over ten years can be reduced to the figures. Starting from 1954, the percentage return on capital employed runs: 8.2, 9.8, 10.2, 8.2, 9.0, 10.3, 8.7, 8.1, 7.9 and 8.3; and as percentage of turnover: 2.2, 2.8, 2.9, 2.4, 2.7, 3.3, 2.9, 2.7, 2.9, and 3.1.

One must add, for the benefit of those who are here seeing Unilever for the first time, that something akin to a partnership exists between Unilever Ltd and Unilever N.V. of Holland, each partner's figures being given separately and then combined. The Dutch side, of course, produces its separate accounts with figures in florins.

## ANALYSIS OF TURNOVER

	£ million			
	1962	%	1963	%
Margarine and other edible fats	293.7	15	292.9	15
Other foods	302.2	16	332.6	17
Detergents	335.3	18	368.9	19
Oils and fats mainly for use within the organisation	389.0	20	374.9	19
Toilet preparations	42.6	2	46.4	2
Animal feeding stuffs	181.4	10	182.3	10
Chemical, paper and other industrial interests	100.0	5	105.8	5
Tropical produce	35.6	2	31.5	2
Merchandise	187.9	10	176.1	9
Services including transport	28.8	2	30.0	2
	1,896.5	100	1,941.4	100

Represented by:

Sales to third parties	1,477.1	1,534.8
Value of produce purchased for the Commonwealth West African Marketing Boards	6.8	3.2
Supplies of marketable products and services within the organisation	412.6	403.4
	1,896.5	1,941.4

Supplies of marketable products—for use as raw materials—and services by one industry to other industries within the organisation are included to provide a proper ratio of turnover to capital employed and profits earned. Produce purchased for the Commonwealth West African Marketing Boards is included on the basis of prices controlled by statutory bodies.

## STATEMENT A

## CONSOLIDATED PROFIT &amp; LOSS ACCOUNTS

## UNILEVER LIMITED AND UNILEVER N.V. AND THEIR SUBSIDIARIES

£000's figures in italics represent deductions

1962

## N.V. LIMITED COMBINED

	1962	1963
I Sales to Third Parties .	754,184	722,918
II Costs . . . . .	697,685	676,453
III Operating profit . .	56,499	46,465
IV Income from trade investments . . . . .	745	3,482
V Income from marketable and short-term securities and other interest . .	239	1,173
VI Interest on loan capital .	1,173	869
VII Profit before Taxation	56,310	50,251
VIII Taxation based on profit for the year . . . . .	26,722	26,554
IX Profit for the year after Taxation . . . . .	29,588	23,697
X Exceptional items . .	596	178
XI Outside interest in results of subsidiaries . . . . .	1,508	775
XII Consolidated Net Profit	28,676	23,100
XIII Preferential dividends .	1,316	2,663
XIV Profit accruing to Ordinary Capital . . . . .	27,360	20,437
XV Ordinary and Deferred dividends . . . . .	10,440	5,395
XVI Profit retained in the Business . . . . .	16,920	15,042

1963

## COMBINED LIMITED N.V.

I Sales to Third Parties .	1,534,780	736,346	798,434
II Costs . . . . .	1,419,973	684,326	735,647
III Operating profit . .	114,807	52,020	62,787
IV Income from trade investments . . . . .	3,817	2,896	921
V Income from marketable and short-term securities and other interest . .	2,449	1,700	749
VI Interest on loan capital .	2,354	862	1,492
VII Profit before Taxation	118,719	55,754	62,965
VIII Taxation based on profit for the year . . . . .	59,980	29,363	30,617
IX Profit for the year after Taxation . . . . .	58,739	26,391	32,348
X Exceptional items . .	261	502	241
XI Outside interest in results of subsidiaries . . . . .	2,593	822	1,771
XII Consolidated Net Profit	55,885	25,067	30,818
XIII Preferential dividends .	3,987	2,663	1,324
XIV Profit accruing to Ordinary Capital . . . . .	51,898	22,404	29,494
XV Ordinary and Deferred dividends . . . . .	18,130	6,193	11,937
XVI Profit retained in the Business . . . . .	33,768	16,211	17,557

## Notes to Consolidated Profit &amp; Loss Accounts

I Sales have been converted to sterling at the rates of exchange ruling at the end of each quarter in 1963 and each half year in 1962.

## II Costs Include:

£000's

1962		£000's		1963	
N.V. LIMITED	COM- BINED			COM- BINED	N.V.
17,146	16,519	33,665	Depreciation	36,055	17,373
			Enrolments of Directors as man- agers including contributions to pension funds for superannuation		18,682
172	318	490	Superannuation of former Directors	518	331
15	49	64		61	46
					15

Depreciation  
Emoluments of Directors as man-  
agers including contributions to  
pension funds for superannuation  
Superannuation of former Directors

III Operating profit for the whole of each year has been converted at the respective year-end rates.

VIII In LIMITED, taxation comprises United Kingdom Income and profits taxes £25,995,000 less foreign tax relief of £8,405,000, and foreign taxes of £11,773,000. Tax relief on investment allowances: LIMITED £2,347,000 (1962 £1,757,000), N.V. £137,000 (1962 £197,000).

X Exceptional items are as follows:

1962		COM- BINED		2000's		1963		COM- BINED		N.V.	
N.V. LIMITED		BINED									
1,531	97	1,628		Taxation		1,742	381	1,361			
935	81	854		years	.	2,003	883	1,120			
				Other	.						
596	178	774		adjustments—previous	.						
					.	261	502	241			

Taxation  
years  
Other

Taxation adjustments arise mainly from refunds of taxes and release of provisions no longer required. Other exceptional items are a balance of several items not applicable to current trading (e.g. in 1962 provision for improved unfunded retirement benefits) and are shown after deduction of taxation.

XIII Dividends are declared gross, but LIMITED retains United Kingdom income tax at the standard rate in force on the date of payment, whereas N.V. pays its dividends gross.

Dividends are as follows:

1962		1963	
N.V. LIMITED	COM-BINED	COM-BINED	N.V.
1,316	4,347	5,671	4,347
—	1,684	1,684	1,684
1,316	2,663	3,987	2,663
10,440	8,808	22,048	10,111
—	3,413	3,918	3,918
10,440	5,395	18,130	6,193

Preferential dividends—gross	:
United Kingdom income tax	:
Ordinary and Deferred dividends—gross	:
United Kingdom income tax	:

Preferential dividends—gross  
United Kingdom income tax .

Ordinary and Deferred dividends—  
gross  
United Kingdom income tax .

The Equalisation Agreement provides that the relationship between the ordinary capitals of LIMITED and N.V., for dividend purposes and on liquidation, shall be based on a rate of £1 = F 12.



## STATEMENT B

## CONSOLIDATED BALANCE SHEETS

UNILEVER LIMITED AND UNILEVER N.V. AND THEIR SUBSIDIARIES

£000's figures in italics represent deductions

31st December, 1962

N.V.	LIMITED	COMBINED
24,065	56,294	80,359
40,010 161,802	33,703 233,813	73,713 395,615
201,812	267,516	469,328
10,174	14,561	24,735
34,573	21,648	56,221
21,508	37,750	59,258
13,381	13,381	—
305,513	384,388	689,901
154,687	197,415	352,102
9,087	12,683	21,770
8,466	945	9,411
172,240	211,043	383,283
112,165	144,804	256,969
63,448	75,191	138,639
11,593	40,694	52,287
45,156	20,498	65,654
232,362	281,187	513,549
64,160	55,707	119,867
7,206	23,096	30,302
20,187	23,956	44,143
7,536	5,083	12,619
99,089	107,842	206,931
133,273	173,345	306,618
305,513	384,388	689,901

## Notes to Consolidated Balance Sheets

LIMITED and N.V. are linked by a series of agreements of which the principal is the Equalisation Agreement. Inter alia this equalises the rights of the ordinary capitals of the two companies as to dividends and, on liquidation, as to capital value, on the basis of £1 nominal of LIMITED'S ordinary capital being equivalent to Fl 12 of N.V.'s ordinary capital.

- II N.V.'s consolidated balance sheet has been converted at the official parity of £1 = Fl 10.136 except that N.V.'s ordinary capital has been converted at the rate of £1 = Fl 12. The consequential adjustment is shown in III below.

Increases in capital are referred to in notes II of statements C and D.

## III Movements in profits retained and other reserves were:

£000's  
COMBINED LIMITED N.V.

Premiums on capital issued			
At 1st January, 1963	6,438	1,678	4,760
Adjustment on conversion of N.V.'s ordinary capital at £1 = Fl 12			
At 1st January, 1963	7,358	—	7,358
Arising on issue during the year	2,453	—	2,453
At 31st December, 1963	9,811	—	9,811
Surplus on revaluation of fixed assets			
At 1st January, 1963	1,178	1,178	—
Additions	443	443	—
Goodwill on acquisition of new subsidiaries *	1,035	1,035	—
At 31st December, 1963	586	586	—
Profits retained in the business			
At 1st January, 1963	380,641	230,957	149,684
Capitalised by scrip issues	27,024	11,234	15,790
Goodwill on acquisition of new subsidiaries *	353,617	219,723	133,894
Exchange and other adjustments on consolidation	2,691	—	2,691
Profit for the year retained	1,770	1,117	653
At 31st December, 1963	33,768	16,211	17,557
	382,924	234,817	148,107
	399,759	237,081	162,678

\*In accordance with the practice established in 1953, the excess of the price paid for new interests over tangible assets acquired has been eliminated.

V Loan capital is secured to the extent of LIMITED £19,501,000, N.V. £3,529,000.

31st December, 1963

COMBINED	LIMITED	N.V.
80,359	56,294	24,065
98,284 399,759	44,937 237,081	53,347 162,678
498,043	282,018	216,025
25,873	15,309	10,564
53,316	20,670	32,646
64,462	39,600	24,862
—	12,408	12,408
722,053	401,483	320,570
377,301	209,569	167,732
23,193	12,493	10,700
9,909	1,180	8,729
410,403	223,242	187,161
273,804	145,257	128,547
145,750	78,166	67,584
66,892	48,986	17,906
74,669	25,940	48,729
561,115	298,349	262,766
135,813	60,095	75,718
50,475	27,160	23,315
49,027	27,204	21,823
14,150	5,649	8,501
249,465	120,108	129,357
311,650	178,241	133,409
722,053	401,483	320,570



## CITY NOTES

IN heavy two-way business the equity sections of the stock-market are now tending to ease back following the buying spree which pushed prices to a new peak for the year shortly after the Budget. The supporting influence of good company profit and dividend news is, however, keeping the undertone of the market reasonably firm.

Most London brokers admit to the view that within a space of six months, prices, as judged by the level of the various industrial share indices, will be lower than they are now. Political fears will reassert themselves as the General Election date approaches. They might well reassert themselves earlier if this month's round of by-elections 'goes the wrong way'.

At the same time it is argued that the yield and earnings bases of the equity market are now higher than they were at the beginning of the year and, by that token, any setback should not prove as severe as the fall experienced when political doubts gripped the market in February.

Meanwhile in the gilt-edged market the fall in prices has levelled off and the City is waiting for early news of Treasury borrowing. A higher coupon, ultra long-dated tap stock is the anticipated form which new Treasury borrowing is expected to take.

IMPERIAL Chemical Industries and Courtaulds have been considerably quicker than expected to admit to their plans for untying the knot of I.C.I.'s stake in Courtaulds. The untying process entails the exchange of that stake for Courtaulds' 50 per cent share in British Nylon Spinners plus the payment by I.C.I. to Courtaulds of £2 million a year for five years for nylon development purposes.

The exchange is entirely an industrial and trade matter. Despite I.C.I.'s substantial shareholding in

Courtaulds the two companies have only met through the fifty-fifty interest in British Nylon Spinners. Outside B.N.S., Courtaulds and I.C.I. have continued to tread on each other's toes.

Both companies are now free to go their separate development ways and Courtaulds, in particular, will be free to develop their Nylon 6—a development precluded to a material degree by the 50 per cent stake in B.N.S.

The mechanics of the deal will prove interesting. The proposed form is the cancellation of I.C.I.'s ordinary shares in Courtaulds via the handing over of the B.N.S. shares as a capital distribution.

FOR the first time for eight months sterling has returned to parity with the United States dollar in the foreign exchange market. Covering of 'bear' positions has been one of the underlying influences in the improvement, the positions having been opened following the poor January trade figures.

The subsequent increase in Bank rate to 5 per cent and the anti-inflationary moves made in many European centres have brought renewed and growing confidence in sterling.

LEADING insurance companies are now reporting on dismal underwriting experience in 1963. The Yorkshire Insurance Co, for example, has reported an increase from £4.4 million to £5.1 million in fire account premium income but a loss on the account of as much as £328,000 against £53,000.

In maintaining dividends despite this experience some companies have pointed to improved underwriting results this year. On the other hand, the opinion is widely held that insurance premiums may have to go up.

## RATES AND PRICES

*Closing prices, Wednesday, April 29th, 1964*

**Tax Reserve Certificates:** interest rate 28.3.64 2½%

Bank Rate			
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills					
Feb. 21	£3 15s	8·80d%	March 26	£4 6s	0·41d%
Feb. 28	£4 6s	1·66d%	April 3	£4 6s	0·12d%
March 6	£4 6s	0·42d%	April 10	£4 6s	0·25d%
March 13	£4 5s	11·85d%	April 17	£4 6s	0·41d%
March 20	£4 5s	11·94d%	April 24	£4 6s	0·47d%

Money Rates			
Day to day	3½-4½%	Bank Bills	
7 days	3½-4½%	2 months	4½-4¾%
Fine Trade Bills		3 months	4½-4¾%
3 months	5½-6%	4 months	4½-4¾%
4 months	5½-6%	6 months	4½-4¾%
6 months	6-7%		

Foreign Exchanges			
New York	2.80 <sup>33</sup> / <sub>100</sub>	Frankfurt	11.13
Montreal	3.02 <sup>33</sup> / <sub>100</sub>	Milan	1750 <sup>1</sup> / <sub>16</sub>
Amsterdam	10.11 <sup>1</sup> / <sub>16</sub>	Oslo	20.00 <sup>1</sup> / <sub>16</sub>
Brussels	139.40 <sup>1</sup> / <sub>16</sub>	Paris	13.72 <sup>1</sup> / <sub>16</sub>
Copenhagen	19.32	Zürich	12.08 <sup>1</sup> / <sub>16</sub>

Gilt-edged			
Consols 4%	65 <sup>1</sup> / <sub>16</sub>	Funding 3% 59-69	90 <sup>1</sup> / <sub>16</sub>
Consols 2½%	41 <sup>1</sup> / <sub>16</sub>	Savings 3% 60-70	87 <sup>1</sup> / <sub>16</sub>
Conversion 6% 1972	105	Savings 3% 65-75	79 <sup>1</sup> / <sub>16</sub>
Conversion 5½% 1974	100 <sup>7</sup> / <sub>16</sub>	Savings 2½% 64-67	93
Conversion 5% 1971	99 <sup>1</sup> / <sub>16</sub>	Treas'y 5½% 2008-12	91 <sup>7</sup> / <sub>16</sub>
Conversion 3½% 1969	92 <sup>3</sup> / <sub>16</sub>	Treas'y 5% 86-89	87 <sup>1</sup> / <sub>16</sub>
Conversion 3½%	57	Treas'y 3½% 77-80	77 <sup>1</sup> / <sub>16</sub>
Funding 5½% 82-84	97 <sup>1</sup> / <sub>16</sub>	Treas'y 3½% 79-81	76 <sup>1</sup> / <sub>16</sub>
Funding 4% 60-90	92 <sup>3</sup> / <sub>16</sub>	Treas'y 2½%	41 <sup>1</sup> / <sub>16</sub>
Funding 3½% 99-04	64 <sup>1</sup> / <sub>16</sub>	Victory 4%	96 <sup>1</sup> / <sub>16</sub>
Funding 3% 66-68	91	War Loan 3½%	56 <sup>1</sup> / <sub>16</sub> xd

# Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.

## Vandervell v. C.I.R.

In the High Court of Justice (Chancery Division)  
March 16th, 1964

(Before Mr Justice PLOWMAN)

*Surtax - Dividends - Gift of shares to charity - Share transfer deed in blank - Option to charity to resell - Whether set law retained an interest - Income Tax Act, 1952, sections 404 (2), 411, 415.*

The appellant controlled a private manufacturing company with an issued capital of £1,055,500 divided into four classes of shares. There were 600,000 ordinary shares of 5s each, and all but two of these were owned by the appellant, and these shares gave him control of the company including dividend control. There were also 100,000 'A' ordinary shares of 5s each; 2,600,000 'B' ordinary shares of 5s each and 230,000 5 per cent cumulative preference shares of £1 each. The 'B' ordinary shares were held as to 20 per cent by the appellant, and as to 80 per cent by a trustee company. Nearly all the preference shares were held by four insurance companies. The trustee company was a private company with the principal object of acting as a trustee, and its one hundred shares of £1 each were held almost equally by three persons who were the appellant's advisers and personal friends, and the three shareholders were also the directors of the trustee company. The principal activity of the company was to act as trustee of a settlement which the appellant had made in favour of his children in 1949.

In 1958 the appellant became interested in an appeal made by the Royal College of Surgeons for the founding of a chair of pharmacology. At that time the 100,000 'A' ordinary shares were registered in the name of a bank as trustee of a deed securing annual payments to the appellant's former wife. The deed entitled the appellant, with his former wife's consent to substitute other security, and for some time negotiations had been going on for that to be done. The purpose of these negotiations were to ease the estate duty position that would occur on the appellant's death, and to that end, to float the manufacturing company as a public company at some time.

On September 29th, 1958, there was a meeting between the appellant and one of his advisers and the

appeals secretary of the Royal College of Surgeons as to how the £150,000 required for the founding of the chair of pharmacology should be provided. The appellant's advisers suggested that the appellant should transfer the 100,000 'A' ordinary shares, and that dividends therefrom to provide the £150,000 could be declared. The appellant agreed to this suggestion, and left the matter to the adviser to arrange. On November 5th, 1958, the deed was executed, substituting the sum of £25,000 for the 100,000 'A' ordinary shares as security for the annual payments to the appellant's former wife, and by that deed the bank declared that it held the shares in trust for the appellant absolutely.

On the following day the appellant's adviser having formed the view that a public flotation would be complicated if the 100,000 'A' ordinary shares were given outright, arranged that the College should give the trustee company an option to purchase the shares back within five years for £5,000. On November 14th, 1958, the appellant wrote a letter to his adviser stating

'I have decided to give to the College the 100,000 'A' shares . . . which have been released . . . in exchange for the £25,000.'

The letter went on to request the adviser to arrange for the transfer of the shares to the College. On November 19th, the transfer deed for the 100,000 shares was executed in blank, and it and the option deed were handed to the appeals secretary of the College. On the 25th the transfer deed was sealed by the College, and also the option deed, and on the following day these documents were returned to the appellant's adviser. The adviser put the option deed in his private safe. In October 1961, the trustee company exercised its option, and paid the College £5,000 for the shares. In the meanwhile in 1958-59 dividends to a total of £162,500 were declared on the shares and received by the College, and in 1959-60 a dividend of £87,500 was paid.

It was contended on behalf of the appellant that he had divested himself absolutely of all interest on the 100,000 shares and that he did so before the dividends were paid. In support of this contention it was argued that the letter of November 14th, 1958, from the appellant to his adviser operated as an equitable assignment of the appellant's beneficial interest in the shares; alternatively, that the appellant parted with all interest by procuring the option to be given to the trustee company in its capacity as trustee of the children's settlement of 1949, so that a presumption of advancement of the children arose. It was further contended that any possibility of the proceeds of the shares becoming applicable for the benefit of the appellant within section 415 (2) of the Income Tax Act, 1952, was so remote as to be *de minimis*. It was contended on behalf of the respondents that the appellant had not divested himself of all interest in the shares, inasmuch as the letter of November 14th, 1958, was not addressed to the bank in whose name the shares stood, nor to the College, but to an agent of the appellant.

It was also contended that no presumption of advancement arose.

*Held:* (1) the option was held by the trustee company on a resulting trust for the appellant, (2) there was no room for the *de minimis* principle to operate in relation to section 415 (2); (3) the sums of £162,500 and £87,500 fell to be treated as the appellant's income for 1958-1959 and 1959-60 respectively.

### Meredith v. Hazell

In the High Court of Justice (Queen's Bench Division) – March 20th, 1964

(Before The Lord Chief Justice of England (Lord PARKER OF WADDINGTON), Mr Justice WIDGERY and Mr Justice JOHN STEPHENSON)

*Income tax – Schedule E – P.A.Y.E. – Refusal to account for tax deducted – Whether regulations valid – Income Tax Act, 1952, section 157 – Income Tax (Employments) Regulations, 1962 (No. 1003), Regulation 21.*

The appellant deducted £12 2s under P.A.Y.E. from emoluments paid to his employees in respect of the year 1962-63, but he did not pay the £12 2s to the Inland Revenue. He contended that the Income Tax (Employments) Regulations, 1962, were invalid, and that therefore he was under no obligation to account for sums deducted from the emoluments in question. The basis of this contention was that the regulations were invalid by unreasonableness, in that they took property away without compensation, that is to say, by purporting to compel the employer to act as a tax collector without remuneration.

On the application of the respondent the justices made an order on the appellant for the payment of the £12 2s. The appellant appealed to the High Court.

*Held:* the decision of the justices was correct.

### W. B. Nobes & Co Ltd v. C.I.R.

In the High Court of Justice (Chancery Division)  
March 20th, 1964

(Before Mr Justice FLOWMAN)

*Income tax – Annual payment – Deduction of tax – Whether paid out of taxable income – Income Tax Act, 1952, sections 169, 170.*

The appellant carried on business as a ship-broker and its accounts were made up to March 31st each year. On March 31st, 1958, the appellant had a balance on profit and loss account of £4,449, but the total taxed profits from the date the business began in 1951, less dividends, was on March 31st, 1957, £74,188. In May 1957, the appellant caused a company (Aconite) to be incorporated, and both the shares therein were held by the appellant. On July 12th, 1957, the appellant made a deed of covenant with Aconite, whereunder, in consideration of the allotment to the appellant of the other ninety-eight shares in Aconite, the appellant covenanted to pay to

Aconite, in each of the nine years until April 5th, 1966, a sum equal to the net income of the appellant in each of those years derived from certain sources; but the sum paid year by year was not to exceed the appellants' income from all sources charged to income tax in that year, reduced by other annual payments. It was common ground that the payments in question were annual payments within section 169 of the Income Tax Act, 1952.

On July 18th, 1957, the appellant made an agreement with another company (C.I.F.) whereby the appellant sold to C.I.F. the whole of the issued capital of Aconite for £45,000. £100 was paid on completion, and the balance was to be satisfied by the payment to the appellant in each of the same nine years to April 5th, 1966, of a sum equal to the net profit of Aconite. If the aggregate of these sums exceeded £45,000, the purchase price was to be increased by the excess.

It was common ground that the sums received by the appellant from C.I.F. were received as capital. An account was opened in the appellant's ledger under the heading 'Shares in Aconite Investments Ltd'. On the debit side the payments to Aconite were entered, and on the credit side the sums received from C.I.F. The payments made to Aconite were the gross payments, and the sums received from C.I.F. were payments on account equal to the amount paid by the appellant to Aconite. Thus the account exactly balanced, and because of this the transaction did not appear in the appellant's audited accounts except in notes on the balance sheets. For the year ended March 31st, 1958, the net profit of the appellant, including the balance brought forward, was £35,774, and out of this the appellant paid dividends of £34,349, leaving £1,425 to be carried forward. During that year the net payment to Aconite was £25,225. For 1959 the net profit, including the balance brought forward, was £26,727, and the net dividends came to £24,500, so that the balance carried forward amounted to £2,227. The net payment to Aconite for that year was £28,000. For 1960 the net profit, including the balance carried forward, was £30,984, and the net dividends came to £24,500, and the balance carried forward was £6,484. The net payment to Aconite in that year was £27,500.

It was contended on behalf of the appellant that the annual payments made to Aconite were made out of taxable income of the appellant. It was contended on behalf of the respondents that the payments to Aconite were not made out of taxable profits but were made out of capital; and that the appellant was bound, under section 170 of the 1952 Act, to account for the tax deducted therefrom. The Special Commissioners decided in favour of the respondents.

*Held:* there were no special circumstances compelling the appellant to attribute the annual payments in question to capital account; and that as they were made out of taxable income, section 169 of the 1952 Act operated, with the result that the appellant was not bound to account for the sums deducted.

# THE ASSOCIATION OF CERTIFIED AND CORPORATE ACCOUNTANTS

## FIFTY-NINTH ANNUAL GENERAL MEETING

The fifty-ninth annual general meeting of The Association of Certified and Corporate Accountants was held in London last Tuesday with the President, Mr V. R. Chennell, F.A.C.C.A., in the chair.

### PRESIDENT'S ADDRESS

In the course of his address the President said:

It is my pleasure, as President of the Association, to submit for your approval and acceptance the report of the Council and accounts of the Association for the



Mr V. R. Chennell

year 1963. Before I do so, however, I have the sad duty of referring to two further losses which the Council and the Association has sustained by death since the last annual general meeting.

The first is that of Mr T. W. Milner, a serving member of Council, who died suddenly in Spain on May 22nd last. Mr Milner's service on the Council had been relatively short, for he was co-opted to membership only in 1958. During the course of a scant

five years, however, he proved himself a valuable member of Council as well as a likeable colleague. . . .

The other death to which I have to refer is much more recent and, indeed, there may well be some of you who are not even yet aware of it. We were all deeply grieved to learn that on March 29th this year our old friend Mr J. C. Latham passed away at the age of eighty-two years. This event severed a link with the Association longer than most of us here today can boast and you will know that for nearly forty years the Association and its affairs were the main interest of his life. J. C. Latham was admitted to membership in 1919 and it was only two years later, on his appointment as Secretary of the Association, that there commenced a relationship which came to an end only in December 1960. During the intervening years the Association was able to make great progress, much of it due to his efforts. His tenure of the secretaryship was, of course, the longest in the Association's history and I personally know with what quiet satisfaction he participated in our Golden Jubilee celebrations at the end of 1954.

### Annual Report

The annual report of the Council and the accounts of the Association for 1963 have already been circulated and you will, no doubt, be prepared to take them as read.

Is that agreed? (*Assent signified.*) Before formally moving the adoption of the report and accounts there are several matters to which I would like to direct your special attention.

### Membership

The number of students of the Association continues to grow at a satisfactory rate and new registrations for the past year represent the highest number ever recorded. The total student body now numbers more than twelve thousand, which in relation to the membership of the Association is, I think, eminently satisfactory.

We have, moreover, cause for satisfaction – and I hope it will not be short-lived – in that the number of successes at the examinations in 1963 was noticeably better than for some considerable time. You will be aware from what has been said by my predecessors in office over the last few years, that the examination results have occasioned us a great deal of anxiety and it is a very welcome feature indeed to note the improved performance this year, which we all hope will be maintained. It has been pointed out to us from time to time by educationists that if we desire to improve our pass percentages, we should limit admission to the examinations to candidates holding two or more passes at A level. We are, I may say, perfectly well aware of this, but it has never been the Association's policy to impose more restrictions than are absolutely necessary. We have never required more than adequate evidence of a sound basic education, but apart from such necessary limitation it is, and always has been, our policy to allow all those who wish to become certified accountants the opportunity of trying to do so and I believe that it has been this liberal approach which, over the course of the last sixty years, has proved one of the great strengths of the Association.

The Council is still firmly committed to the educational policy described by my predecessor in office last year, namely, promoting the use of block release courses at colleges of further education. As you may recall this involves attendance for full-time tuition during six weeks of each term, giving a total of eighteen weeks' full-time study in each year of studentship. Although the Ministry of Education and we are convinced of the merits of this type of instruction, we are both still faced by the same two obstacles that existed last year, namely, a certain unevenness in the distribution of facilities for this type of instruction and a continued reluctance on the part of some employers to give the necessary release. The first is being remedied systematically, though it is necessarily a slow job and, indeed, in the more remote areas of the country an almost impossible one, calling for the extension of residential facilities at colleges of further education in the more populous centres.

There is also, I think, improvement as regards the second factor and I hope that propaganda and persuasion both by us and by the Ministry and colleges of further

education will gradually win the day. Although it is entirely foreign to our national traits to endeavour to force anyone to do anything, I honestly believe that employers have got to accept the position that unless such release facilities are allowed to those of their staff who are sufficiently ambitious to wish to qualify, then they are just going to be by-passed by those seeking employment and a career. But in saying this I should like to pay tribute to almost all our larger companies and, indeed, to many smaller ones who are displaying the most commendable foresight and vision by providing their young people with generous opportunities for improvement through higher qualifications.

Further evidence of our forward-looking policy in education is provided by the appointment of Mr V. S. Hockley as education and technical officer. In one sense it is a misfortune that we cannot enjoy the benefit of the whole of Mr Hockley's time. On the other hand there are many and obvious advantages that he should maintain close contact with the realities of professional life through his practice and I am sure that this will give our students greater confidence than ever in his ability to help them. Mr Hockley is now running short courses for students in as many parts of the country as he can reach and as men and women with suitable abilities are found, this type of course will be multiplied. It is perhaps too early to say that this relatively new activity has yet been able to produce effects on our examination results, but something has certainly done so and we very much hope that we may have part of the key to the problem.

### Finance

Turning now to the accounts for the year, you will see that though we have succeeded in raising our gross surplus quite satisfactorily, necessary provision for certain future expenditure gives it a less robust appearance. Our establishment and administration expenses show an increase of over £5,000 and while this is certainly not welcome, it is perhaps not too bad, bearing in mind that this year we have had to bear the full brunt of increased postage and telephone charges, as well as rises in the cost of printing, stationery and travelling. Apart from this, perhaps the most noticeable single increase is in the item for publicity, on which our expenditure this past year has risen to slightly over £8,000. One unsatisfactory thing about publicity is that, except as a matter of inference over a term of years, it is extraordinarily difficult to find out whether you are getting value for money or not and you are left with a slightly uncomfortable feeling about the justification for the whole exercise. It will perhaps relieve this feeling a little if I tell you that the increase of £3,500 in 1963 is largely attributable to more careers advertisements in the national and local Press. This seems to us a worth-while type of advertising, though its effectiveness is just as hard to assess as any other kind. But we believe that it is necessary to maintain our activity in this direction in spite of the cost.

Since any reduction in expenditure as between one year and another is now so rare, I am sure that your eyes will light upon the item for branches with some initial feeling of satisfaction, because it appears to show a decrease of about £1,500. Unhappily this is illusory, because in order to ascertain the full expenditure on

branches it is necessary also to take into account that for student societies. This does not now appear as such in the income and expenditure account, but is met by grants from the Certified Accountants' Trust. Accordingly, therefore, the full expenditure in 1963 under this head amounts to slightly more than £12,000, that is to say, it shows a further increase of about £1,500. Without necessarily calling into question the activities of any particular district society we do feel that this item of expenditure is, at any rate, worthy of investigation and as you may have noted from an earlier announcement it is proposed that such an investigation shall be carried out – not, I may say, with the object necessarily of reducing grants to district societies, but rather to satisfy ourselves that full value is obtained for the money that is spent. After all, a regular charge of something like £9,000 per annum – and this ignores the student societies – is a not inconsiderable sum and we feel that there is clearly a duty to the membership at large to ensure that this is being applied in the most profitable way from the point of view of the Association as a whole.

You will notice that we have set aside a modest sum towards the provision of new premises, although there is unfortunately nothing concrete to report in this direction. The rents of suitable houses remain very high, although there is a good deal of office accommodation in London now vacant. It appears that for the time being many property owners would rather have their premises empty than contemplate any reduction in rents, but it is doubtful whether this can be maintained indefinitely and we are watching the position with interest. Frankly it is not exactly helped by the fact that the Government – while busily trying to persuade other people to move out of London – is equally busily acquiring enormous blocks in the centre at rents which no one else can afford in order to house its own swollen departments – which could just as easily operate in some of the provinces.

As a purely temporary remedy for our staff difficulties we have made some small extensions at 22 Bedford Square, but unfortunately the scope for so doing is quite limited and will not in any way meet our real problem.

### Research

As is normal, the report of the Council contains a fairly detailed account of the activities of our technical and research committees during the year. I do not propose to repeat this information, but I feel obliged to refer to it in passing in order to give myself the opportunity of expressing to those members who assist us with this work our grateful thanks for the very great amount of time and trouble which they spend in this direction.

Admittedly it is invidious to single out the activities of any one committee, but I cannot resist reference to a particularly successful publication entitled *The Taxation of Income from Property – the Provisions of the Finance Act, 1963*, on which the Taxation Committee completed work in October last year. The object of this booklet was to explain – if that is possible – the provisions of last year's Finance Act whereby entirely new rules are applied to the taxation of income from property. This part of the Act constitutes not only the longest piece of new tax legislation for many years, but also the most obscure and it seemed to us necessary that members and, indeed, the profession should be



provided with some chart to guide them through the morass if the provisions were to work with even reasonable smoothness. Moreover the need for expedition was obvious. In the result ours was the first explanatory booklet of any kind to be published on the subject and preceded the Inland Revenue's own booklet by quite some time. Since October last we have had to run into a third impression and we have now sold no less than 14,000 copies of this booklet. I need hardly tell you that this was not achieved without very considerable effort on the part of the members of the Taxation Committee at a time when they were also preoccupied with the consideration of Budget suggestions for the Chancellor. We have, in fact, achieved that rather rare phenomenon – a technical best seller – and may I say again how very much we appreciate the work of the members involved, as well as that of those engaged on other and less urgent projects.

#### U.E.C.

You will no doubt have observed from the report that the Association, in common with a number of other professional bodies, was duly admitted to the Union Européenne des Experts Comptables, in April of last year. Accordingly the fifth U.E.C. Congress, which is being held in Vienna this August, is the first such congress in which we shall participate as full U.E.C. members. We hope that we shall receive full support in Vienna from our members on this our first participation. Any members who wish to receive further information about the congress may obtain an official programme and registration form on request from the Secretary, but it is necessary that such applications

should be made promptly, because the list is to be closed on May 31st.

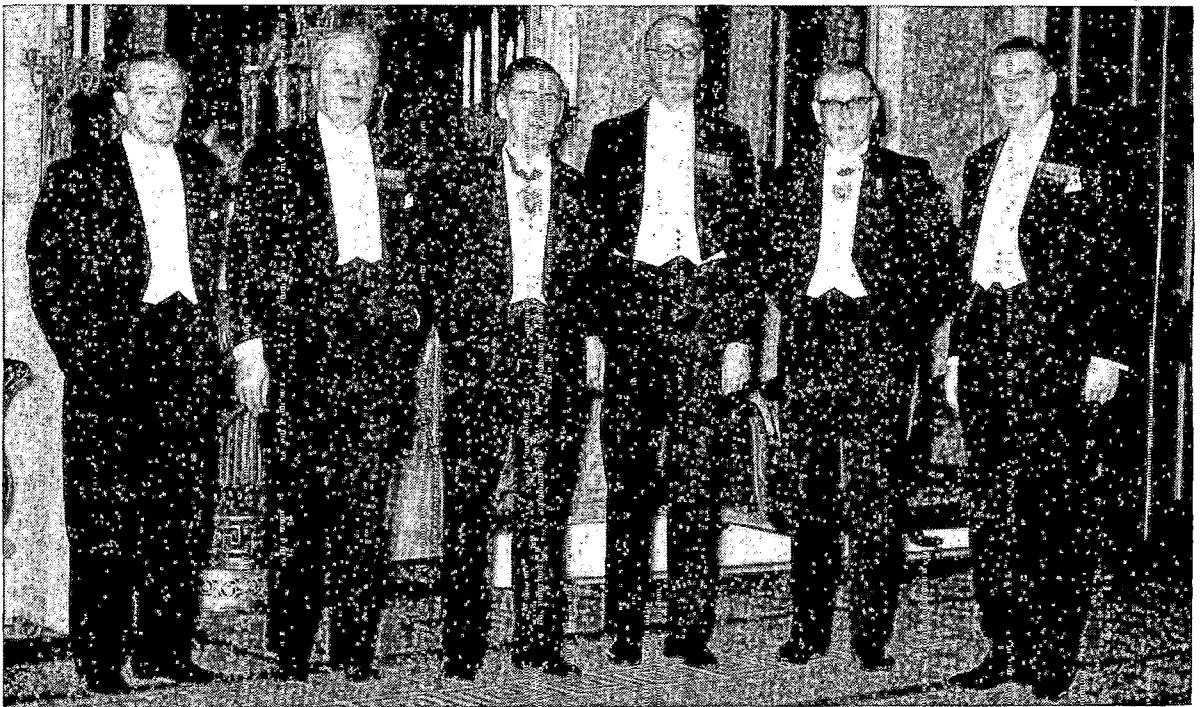
#### The Budget

The Budget cannot be described as other than the mixture as before. In its general terms it was not unexpected and was certainly in no way exciting. This, of course, was to be anticipated in an election year. It is worth noting that the result of the small increases in indirect taxation has been to add nine-tenths of a point to the cost-of-living index. Thus, while the intention of the measures proposed by the Chancellor was to keep personal spending within bounds, the result over the next few months may well be to give some stimulus to inflationary pressures as future wage demands reflect the increase in the cost of living.

The main points of interest to the accountancy profession will be the further measures proposed to check tax avoidance. Unfortunately the new proposals are certain to add, in some measure, to the complexities of legislation which is already complicated and it is a matter for regret that nothing is proposed in the urgent matter of simplification of the tax system.

#### Acknowledgements

No normal person can hold the office of President without reacting strongly to the challenge it offers and there is no doubt that that challenge is becoming stronger each year. Accordingly it is perhaps in retrospect most that one begins to appreciate the extent of the honour in being selected by one's colleagues for this office. Speaking for myself, I can certainly say that while, at about this time last year, I took my election



At the President's Dinner at the Fishmongers' Hall last Monday (left to right): Mr H. P. Forder, the Master Cutler; The Rt. Hon. Edward Heath, M.B.E., M.P., Secretary of State for Industry, Trade and Regional Development; Mr V. R. Chennell, F.A.C.C.A.; Sir John Hobson, Attorney-General; Mr R. Statham, C.B.E., J.P.; the Earl of Cromer, M.B.E., Governor, Bank of England.



to the presidency as an honour indeed, now that I have savoured to the full what it involves I realize that it was an even greater one than I then supposed.

The tempo of the Association's affairs quickens each year and there is a rare stimulation in being, so to speak, in the thick of it. But however strong that stimulus, the demands of the office are such that no one could possibly accept it save in the certain knowledge of the unfailing support and encouragement of his colleagues on the Council. This I have enjoyed in the highest degree and I should like the Vice-President and my other fellow members of Council to know how much I have valued this.

It is difficult to find fresh ways of conveying a President's indebtedness to the secretariat and staff at 22 Bedford Square, but I would like our Secretary and Assistant Secretaries and those who work under their direction to know how much I have valued their unfailing support and assistance.

The Council and the Association are well served by them, despite the ever growing difficulties of lack of space and lack of badly needed additional staff.

#### NEW COUNCIL MEMBERS

Two new members of the Council were elected as follows: Mr E. E. Hallett, A.A.C.C.A., a partner in the firm of Hallett, Traynor & Co, of Cardiff, and Mr G. H. Rees, F.A.C.C.A., in practice at Chesterfield.

At a meeting of the Council which followed the annual general meeting, Mr R. Statham, C.B.E., J.P., F.A.C.C.A., was elected President and Mr G. L. Barker, F.A.C.C.A., was elected Vice-President (as announced in Weekly Notes on another page).

#### PRESIDENT'S DINNER

The President, Mr V. R. Chennell, F.A.C.C.A., gave a dinner on Monday at the Fishmongers' Hall, London. The principal guests were The Earl of Cromer, M.B.E., Governor of The Bank of England; The Rt Hon. Edward Heath, M.B.E., M.P., Secretary of State for Industry, Trade and Regional Development; Sir John Hobson, O.B.E., T.D., Q.C., M.P., Attorney-General; Sir Alexander Johnston, G.C.B., K.B.E., Chairman, Board of Inland Revenue, and:

Mr L. Barford (*Chief Inspector of Taxes*); Professor R. Browning, C.B.E., M.A., LL.B., C.A. (*Vice-President, The Institute of Chartered Accountants of Scotland*); J. W. Dallachy, M.A., C.A. (*President, The Institute of Chartered Accountants of Scotland*); J. D. C. Dick, F.A.C.C.A. (*Assistant General Manager, Royal Bank of Scotland*); W. Coutts Donald (*President, Management Consultants Association*); C. A. Evan-Jones, M.B.E. (*Joint Secretary, The Institute of Chartered Accountants in England and Wales*); H. P. Forder (*The Master Cutler, The Company of Cutlers in Hallamshire*); E. D. Foster (*Editor, The Director*); W. Lionel Fraser, C.M.G. (*Chairman, Thomas Tilling Ltd*); C. Garratt-Holden, C.B.E., T.D. (*President, The Building Societies Institute*); Desmond Goch, A.A.C.C.A. (*Secretary, The Observer*); Henry Hill, A.A.C.C.A. (*Comptroller, AC-Delco Division of General Motors Ltd*); A. L. King, M.B.E., A.A.C.C.A. (*Joint Managing Director, Shell-Mex and B.P. Ltd*); E. H. V. McDougall (*Secretary, The Institute of Chartered Accountants of Scotland*); J. McKell (*Director, Thomas Tilling Ltd*); The Viscount Mills, K.B.E.; A. H. Milward, C.B.E. (*Chairman, British European Airways Corporation*); S. D. Musson, C.B., M.B.E. (*Chief Registrar, Registry of Friendly Societies*); Sir Richard Powell, K.C.B., K.B.E., C.M.G. (*Permanent Secretary, Board of Trade*); C. Eric Power, F.C.A., F.C.W.A. (*President, The Institute of Cost and Works Accountants*).

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION SEVENTY-EIGHTH ANNUAL REPORT

*We reproduce below the report of the Board of Governors of The Chartered Accountants' Benevolent Association for the year ended February 29th, 1964, to be presented at the seventy-eighth annual general meeting of the Association to be held in the Assembly Hall of Church House, Westminster, London SW1, on Wednesday, May 6th.*

1. The Association on February 29th, 1964, consisted of 5,524 members, viz.:

The President	1,558 Annual Governors
185 Vice-Presidents	243 Life Members
21 Life Governors	3,516 Annual Members

being an increase of 475 during the year.

2. A list of the 141 (1963-146) cases in which assistance has been given during the year from the General Fund appears on pages 28 to 38<sup>1</sup>. During the year there were twenty-two (seventeen) new cases and in five (five) cases former beneficiaries were assisted again. At February 29th, 1964, there were 119 (114) current cases. Three cases were assisted from the Special Fund (page 38<sup>1</sup>).

3. The accounts for the year ended February 29th, 1964, duly audited, are annexed to this report<sup>1</sup>.

4. The total expended by the Association in relief since its formation in 1886 amounts to £373,142. A review of the basis on which relief is granted has been carried out during the year and it has been decided to make an increase of the order of 15 per cent to 20 per cent in the minimum amount of income which it is considered desirable that our

beneficiaries should receive. At the same time cognisance has been taken of the appreciable increase in the amount of assistance obtainable from the National Assistance Board in recent years and in certain cases applicants will be asked to seek national assistance before a grant from the Association is considered. Where children are concerned a national assistance basis will not be adopted and where temporary assistance is necessary it would be unlikely that an applicant would be advised to seek national assistance. The increase in the basis on which relief is given will be offset to some extent by the new policy in regard to national assistance.

5. The principal figures from the accounts for the last five years are:

Year	Relief £	Subscriptions £	Investment	
			Income £	
1959-1960	18,093	7,813	8,026	
1960-1961	19,103	8,444	9,943	
1961-1962	21,030	8,798	10,491	
1962-1963	23,841	12,884	11,727	
1963-1964	23,965	14,271	14,869	

6. It will be noted that there has been provided a sum of £315 for an audit fee. Hitherto the auditors have given their

<sup>1</sup> Not reproduced.

services to the Association but in view of the considerable increase in the work of the Association, the Board has decided that it would be appropriate to pay an audit fee of such an amount as will reimburse to the auditors the salary cost of the staff time occupied in the audit. Members of the Association will be asked at the annual meeting to authorize such payments for 1963-1964 and for 1964-1965.

7. The surplus of £3,590 shown in the accounts is largely accounted for by the increase of £3,142 in the investment income. Printing and stationery at £1,657 (£729) includes £775 for the list of subscribers which was sent to all members of the Institute in July 1963.

8. The Board has become increasingly conscious of the amount of secretarial and clerical assistance which it has been receiving from the Institute without cost. This assistance from the staff of the Institute has become very much greater owing to the increase in the number of cases being assisted and the growth in the number and value of the investments of the Association. The cost to the Institute of these services is estimated to be between £4,000 and £5,000 per annum and the Board considers that as from March 1st, 1964, it would be reasonable in present circumstances to make an annual contribution of £3,000 towards this cost.

9. Christmas food hampers have, as usual, been sent to the majority of our beneficiaries. Gifts of clothing and special donations have been made in appropriate cases. The cost to the Association of this expenditure has been reduced by the income from the H. F. Holloway Memorial.

10. During the year the Association has received the following bequests and donations:

#### Bequests:

	£
H. C. Merrett, F.C.A. .. .. .	141,354
A. C. Bourner's Fund .. .. .	3,000
N. L. Denning, F.C.A. .. .. .	4,177
A. W. Death, A.C.A. .. .. .	291
M. R. Grover, F.C.A. .. .. .	250
R. Simpson, A.C.A. .. .. .	97
Miss M. Bushell, F.C.A. .. .. .	50
A. D. Walker, F.C.A. .. .. .	50
J. E. Stokes, F.C.A. .. .. .	25
Sir Harold Barton, F.C.A. (balance) .. .. .	16
	<u>£149,310</u>

#### Donations:

	£
W. H. Newton, M.A., F.C.A. .. .. .	500
W. Elles-Hill, F.C.A. .. .. .	105
S. E. Graves, F.C.A. .. .. .	105
W. H. Wright, F.C.A. .. .. .	105
Bekonscot Model Railway and General Charitable Association .. .. .	100
J. F. Aitchison, B.A., F.C.A. .. .. .	52
J. Cartner, F.C.A. .. .. .	52
J. T. Corbett, F.C.A. .. .. .	52
C. Green, F.C.A. .. .. .	52
W. S. Hindle, F.C.A. .. .. .	52
K. A. E. Parsons, F.C.A. .. .. .	52
H. Rivington, F.C.A. .. .. .	52
L. W. Underwood, F.C.A. .. .. .	52
R. F. Bland, F.C.A. .. .. .	50
T. C. Fitton Will Trust .. .. .	50
Miss I. S. Truman .. .. .	50
K. E. Young, F.C.A. .. .. .	50
Anonymous .. .. .	50
Cardiff Chartered Accountants' Luncheon Club .. .. .	26
Delmar Charitable Trust .. .. .	20
Donations at summer courses and other functions .. .. .	40
Others .. .. .	473
	<u>£2,140</u>

11. On November 13th, 1963, the High Court approved a scheme varying the Merrett will trusts. The effect of the scheme is to allow the division of certain of the trust assets between the life-tenant and this Association (as remainderman) and thereby to reduce the prospective impact of estate duty on the eventual death of the life-tenant. The Association has a substantial reversionary interest in the remainder of the estate.

12. Rather more than one-half of the Association's income is derived from its investments and the Board is grateful to the many benefactors whose bequests and gifts have gone to build up the capital of the Association. It is not practicable for reasons of space to commemorate the benefactions in detail in the annual accounts and the Board has therefore decided to publish a list of major benefactions not otherwise mentioned individually in the annual accounts. The list on page 27<sup>1</sup> includes only individual benefactions of £2,500 or more.

13. The sum of £38 was received from the collection at the annual Church Service.

14. Grants from the W. B. Peat Memorial Scholarship Fund amounted to £260. The number of cases assisted during the year (page 38<sup>1</sup>) was six (1963-seven).

15. The Board records with great regret the death last year of Miss Ethel Watts, B.A., F.C.A., who had been a member of the Executive Committee since 1953. Miss Watts was a very regular attender of the meetings of the committee and her colleagues were always very grateful to her for her views and suggestions which helped greatly in dealing with applications for assistance.

16. Miss Margaret Fox, F.C.A., has been elected to fill the vacancy on the Executive Committee.

17. Eight of the Association's ten places in the homes of Crossways Trust are filled by nominees of the Association. During the past year one beneficiary in the homes died. A member and his wife entered one of the homes last year and this year a retired member took up residence. The homes of Crossways Trust provide accommodation for old people whether they are able-bodied or infirm. The Secretary would be glad if members would let him know of any retired member (married or single) or of any widow of a member who might wish to be considered either now or at some later date for a place in one of these homes. To be eligible a person must be in need of care and attention and have insufficient means to pay for board and lodging, care and attention at normal rates.

18. It is the policy of the Board to ensure that as far as possible a member of the Institute living near a beneficiary, or applicant for relief, acts as a referee and is available to give advice when required. Such assistance from members is of the greatest value to the Executive Committee in considering applications. The Board wishes to thank district societies, branches and groups, for their help in appointing members for this purpose and also to thank those appointed for the considerable time and trouble they have taken in helping beneficiaries.

19. The Board wishes to record its warm appreciation to Mr R. W. L. Eke, Mr G. L. C. Touche and Mr D. A. Clarke as members of the Investment Sub-committee of the Executive Committee of the Association.

20. The Board is grateful to Messrs Markby, Stewart & Wadesons, the honorary solicitors, for their services.

21. The Board thanks the editors of *Accountancy* and of *The Accountant* for the publicity they have given to the affairs of the Association during the year. Brief reports of the quarterly meetings of the Executive Committee are published in these journals.

22. The Board wishes to place on record its high appreciation of the work of the officers and staff of the Institute.

23. The auditors, Mr Leonard Walter Bingham, F.C.A., and Mr Leonard Pells, M.A., F.C.A., retire and offer themselves for reappointment.

WILLIAM CARRINGTON,  
President.

March 25th, 1964.

<sup>1</sup> Not reproduced.

FOR STUDENTS

## VOLUNTARY WINDING-UP

## Purpose and Effects

THE purpose of a voluntary winding-up is to enable a company to settle its affairs out of Court. A company may be wound up voluntarily in three ways. First, when the period fixed for its duration has expired and an ordinary resolution to that effect is passed in general meeting. Secondly, when a company decides that the extent of its liabilities prevent it carrying on business any longer, in which case an extraordinary resolution is required. Lastly, when a company passes a special resolution to wind up voluntarily and here the reason for doing so is immaterial.

A voluntary winding-up commences as soon as the resolution is passed, even though the company may, at a later date, be wound up by the Court. Its immediate effect is the cessation of the company's business except in so far as may be necessary for a beneficial winding-up. The powers of the directors cease when a liquidator is appointed unless he sanctions their continuance. No alteration may be made in the status of members and no transfer of shares may be made unless the liquidator consents.

Although a winding up by the Court operates as a discharge of the servants of the company, this is not the case in a voluntary winding-up unless the company is insolvent. It will, however, operate as a discharge if the voluntary winding-up involves a discontinuance of business, but this will give rise to a claim for damages if there are in existence agreements for employment for a fixed period of time. The passing of the resolution for voluntary winding-up has no effect upon the company's corporate state or powers, since these will continue until the company is actually dissolved.

**Members' Voluntary Winding-up**

Voluntary winding-up is of two kinds: members' and creditors' voluntary winding-up. The former only takes place when the company is solvent and the settlement of its affairs is managed entirely by the members, the creditors of the company playing no part in the proceedings at all. In such a winding up it is necessary for the directors to file a statutory declaration, called a declaration of solvency, which states that the directors have made a full investigation of the company's affairs and are of the opinion that the company will be able to pay its debts in full within a period, not exceeding twelve months. It also embodies a statement of assets and liabilities at the latest practicable date. Penalties are imposed for any statement contained therein where there were no reasonable grounds for making it. The declaration must be filed before the passing of the resolution in general meeting, and when passed the resolution must be advertised in

the *London Gazette* within fourteen days. At this meeting, the liquidator is also appointed and his remuneration fixed. The liquidator gives notice of his appointment to the Registrar. The liquidator takes control of the company's property, values it, pays off the creditors, and distributes any balance to the shareholders according to their rights under the Articles of Association.

If the winding-up continues for more than one year, the liquidator must summon a general meeting at the end of the first year and each ensuing year and lay his account before it. When the company's affairs are fully wound up, the liquidator must complete a final account and call a general meeting of the company which must first be advertised in the *Gazette*. His account will deal with his conduct of the liquidation and how the company's property has been disposed of. Within a week after the meeting, which is generally called the final meeting, the liquidator must send to the Registrar a copy of his accounts and a return of the holding of the meeting. The Registrar registers the accounts and returns and at the end of three months from the date of registration, the company is dissolved.

**Creditors' Voluntary Winding-up**

A creditors' voluntary winding-up takes place in any case where the declaration of solvency has not been made. The company must call a meeting of its creditors for the same day as, or on the next day after, the meeting at which the resolution for voluntary winding-up is to be proposed. The meeting must be advertised in the *London Gazette*. The directors lay before the meeting of the creditors a statement of the company's position, together with a list of creditors and the estimated amount of their claims. The company and its creditors may each nominate a liquidator but, in the event of a dispute, the creditors' choice will prevail, although this is subject to an application to the Court. The liquidator must publish in the *Gazette* and deliver to the Registrar of Companies notice of his appointment within fourteen days of such appointment.

A committee of inspection may be appointed by the creditors at their meeting, in which case the creditors may appoint not more than five persons to membership of such committee; likewise, the company may so appoint not more than five persons, subject to the creditors' power to disapprove of any of the persons appointed. The function of the committee of inspection is to supervise the acts of the liquidator and it or the creditors may sanction the remuneration of the liquidator. Thereafter, the procedure is the same as for a members' voluntary winding-up.

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# THE PLACE OF ACCOUNTANCY IN UNIVERSITY STUDIES

## Lancaster and Morecambe Branch Chartered Accountants' Meeting

To establish a Chair of Accountancy at the new University of Lancaster, which is due to receive its first students in October, would cost in the region of £40,000 stated its Vice-Chancellor, Mr Charles F. Carter, at a meeting of the Lancaster and Morecambe Branch Chartered Accountants' Society held at Morecambe on April 21st.

Mr Carter, who was speaking on "The place of accountancy in university studies", said the cost would be in the region of £7,000 a year and it would require support for six or seven years until the University Grants Commission took over.

'It is quite possible', he added, 'that within a very few years we may see a large-scale development of education through local broadcasting and television services. One could very well imagine services of this kind, which might be assisted by a university department, and would help to give people in remote places something at least as good as in large centres where there were established methods of teaching.'

Mr Carter, who was recently appointed chairman of the Schools Broadcasting Commission, said that in the Soviet Union a considerable amount of education was given by broadcasting services. Students were brought together at the beginning of the study year for three weeks in order to get to know each other and then after being taught through the medium of broadcasting and television for a year they were again brought together for a full-time period culminating in examinations. 'This seems to me', he commented, 'the kind of scheme which might be readily adapted for accountancy status for as long as there are a large number of students outside universities.'

### Graduates and the Profession

Graduate entry into the profession, Mr Carter said, was only between 8 and 10 per cent, which was very low for a profession which required a fairly high degree of intelligence and which occupied such an honoured place in the community.

Many members of the Institute, he remarked, might feel that such a low entry of graduates into the profession did not matter very much. Some might think, he went on, that without university studies, entrants into the profession might be able to get on with the job earlier, but the difficulty with these arguments was that by the time another fifteen years had passed it was expected, on the most moderate calculation, that the proportion who stayed at school until the end of the sixth form would have doubled

and a large proportion of these would in fact go to university.

Mr Carter added:

'At the moment your non-graduate recruitment comes broadly from the second 10 per cent of the population arranged in order of intelligence and the effect of doubling the sixth form on your recruitment will be to push you farther down the scale into the third 10 per cent. You may feel that this really does not matter but I think you are probably wrong. It may be true that these measures of academic qualities are of an uncertain value, but, nevertheless, the effect is to push your recruitment into a group of people who at the present time would have been rejected by the universities for not having done sufficiently well at school.'

'I don't think this would be a good thing for the future of your profession and one of the arguments for considering whether you can afford this lower grade of entry is that the universities are taking more of the people you should be having.'

### The Need for More Research

Another reason, said Mr Carter, why it was essential that accountancy status should be established in universities was to deal with the need for more research and for more accurate and profound thought on accountancy problems than was likely to come from the efforts of those overburdened by day-to-day business.

The profession, Mr Carter stated, lost a fair proportion of those who attained accountancy status in universities who went direct into industry, while another thing which made entry into accountancy unattractive was the falling age of marriage which led a person to want to earn more as quickly as possible rather than wait. A further reason was that the normal methods of training did not provide an efficient teaching of purely routine aspects of the job.

Mr Carter concluded: 'I hope that your profession within fifteen years will be getting at least 50 per cent of graduate entries and instead of accountancy status flourishing in two universities and lingering quietly in eight, it will be flourishing in at least twenty universities and that you will regard with great concern to see that the university courses provide rigorous and well directed practical training properly conducted for those who are to enter the profession.'

Mr K. R. Stanley, F.C.A., Chairman of the Branch, presided, and Mr J. Frears Tyson, F.C.A., thanked Mr Carter. Invited guests from all parts of the North including Scotland attended the meeting.

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# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS DELOITTE, PLENDER, HASKINS & SELLS announce that they have opened an office at Alcala 42, Madrid 14, Spain. The resident manager is Mr W. S. McADAM, C.A., who has been a member of the Paris Office staff for some years.

MESSRS HILL, VELLACOTT & Co, Chartered Accountants of London and MESSRS HILL, VELLACOTT & BAILEY, of Belfast, announce that following his taking up permanent residence in the United States of America, Mr G. A. J. MORRIS, F.C.A., retired from the partnerships with effect from April 1st, 1964.

MESSRS KEMP, CHATTERIS & Co, announce that as from May 1st, 1964, they have admitted into partnership Mr R. RENDELL, F.C.A.

MESSRS W. R. McLEOD, A.C.A., of Nassau, Bahamas, S. ARTHUR MORRIS, C.A., of Hamilton, Bermuda, and H. A. SNELLING, F.C.A., of MIDGLEY, SNELLING & Co, Chartered Accountants, of London, England, announce that they have entered into partnership and formed a Bahamas firm which will practise at Bolam House, George Street, P.O. Box 898, Nassau, Bahamas, under the firm name of W. R. McLEOD & Co, Chartered Accountants.

MESSRS E. M. NYMAN & Co, Chartered Accountants, announce that as from May 4th, 1964, their address is 36 James Street, Oxford Street, London W1.

MESSRS PEGG, ROBERTSON & Co, Chartered Accountants, of London, announce that Mr H. CARTER PEGG, A.C.A., who has been a member of their staff for some years, has been admitted into the partnership.

MESSRS TOUCHE, ROSS, BAILEY & SMART and Messrs WILSON, STIRLING & Co, announce that from May 1st, 1964, they have agreed to carry on their practices in association. Mr J. C. STEWART, C.A., of WILSON, STIRLING & Co will become a partner in TOUCHE, ROSS, BAILEY & SMART, London. Each firm will continue to practise in its own name and a new firm will be established in the name of TOUCHE, ROSS, BAILEY & SMART at 8 Gordon Street, Glasgow, Ct. The partners of this firm will be Messrs J. C. STEWART, C.A., N. McALLISTER, C.A., M. CRICHTON, C.A., T. McCUBBIN, C.A., J. H. F. MACPHERSON, C.A., A. D. S. ROBB, C.A., and J. B. STEVENSON, C.A. (of WILSON, STIRLING & Co), and Messrs G. L. C. TOUCHE, B.A., F.C.A., W. D. HUME, M.A., C.A., W. R. S. RITCHIE, C.A., G. F. ANSELL, F.C.A., and R. K. SOMERVILLE, A.F.C., C.A. (of TOUCHE, ROSS, BAILEY & SMART).

MESSRS WILSON, STIRLING & Co, Chartered Accountants, of Glasgow and London announce that as from May 1st, 1964, Mr JOHN BOYD STEVENSON, C.A., has been assumed a partner of the firm.

## DOUBLE TAXATION: BELGIUM

Discussions are taking place between representatives of the Belgian Ministry of Finance and of the Board of Inland Revenue about the terms of a double taxation convention to replace the existing convention between the two countries, and agreement has been reached at official level. The draft will now be submitted to the two Governments for approval.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Members' Addresses Wanted

The Joint Secretaries of The Institute of Chartered Accountants in England and Wales would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name.

Ernest John Birchall, F.C.A., Southport.  
Frederic Basil Cowles, F.C.A., London.  
Gerald Crosby, A.C.A., Brussels, Belgium.  
Patrick Erskine Cruttwell, F.C.A., Swindon.  
Brian Morris Davies, F.C.A., London.  
Edward Driver, F.C.A., Blackpool.  
Ronald Hawker, F.C.A., London.  
Arthur Hesford, F.C.A., Bournemouth.  
John Fraser McArthur, A.C.A., Rathgar, Co. Dublin.  
Miss Jean Miriam Dolores McKenna, A.C.A., Ilford.  
William Marshall, F.C.A., London.  
Keith Matthew Mason, A.C.A., Steeton, near Keighley.  
Stanley Ernest Morgan, F.C.A., Liverpool.  
Vivian Tizzard Norman, F.C.A., Coventry.  
Wilfrid James North, F.C.A., Eastbourne.  
Arthur Peyton Ogden, F.C.A., Watford.  
Gerrard Vincent Reynolds, F.C.A., Billericay.  
Maurice Clifford Simpson, A.C.A., Leicester.  
John Roy Smith, A.C.A., Manchester.  
Gordon Charles Taylor, A.C.A., London.  
Leslie Stephen Wheeler, F.C.A., London.  
John Daniel White, F.C.A., Elland.

## THE LEEDS, BRADFORD AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS New President

Mr W. A. Rawlinson, F.C.A., a partner in the firm of Rawlinson, Greaves & Mitchell, Chartered Accountants, of Bradford, has been elected President of The Leeds, Bradford and District Society of Chartered Accountants for 1964-65.



Mr W. A. Rawlinson

Mr Rawlinson was articled to his father, E. B. Rawlinson, of Bradford, and was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1934. He moved to London in the following year and was manager of Messrs Geo. Little, Rawlinson & Mitchell at St Albans from 1936-40. In 1941 he returned

to Bradford as a partner with his present firm.

He was elected to the committee of The Leeds, Bradford and District Society in 1955, and to the Regional Taxation and Research Committee in 1956, acting as chairman of that committee from 1961-63.

Mr Rawlinson takes an active interest in local affairs and is treasurer of the Y.W.C.A. and Bradford North Division Conservative and National Liberal Association.

Other officers of the Society for 1964-65 are:

*Vice President:* Mr R. S. Wainwright, F.C.A.

*Hon. Treasurer:* Mr T. L. Waring, B.A., F.C.A.

*Hon. Secretary:* Mr W. E. Ellison, B.COM., F.C.A., 2 Park Square, Leeds 1.

*Hon. Auditor:* Mr M. Bendig, F.C.A.

**BUILDING SOCIETY ACCOUNTS****The 'Sir Harold Bellman' Challenge Cup**

The 'Sir Harold Bellman' Challenge Cup for the best produced published accounts of a member society of The Building Societies Association has, for the second year running, been awarded to the Grainger and Percy Building Society. The Leicester Temperance Building Society was also for the second year awarded second place. Twenty-eight societies entered for the competition and the accounts entered for the award were assessed on April 17th, by an adjudicating panel consisting of:

The Duke of Hamilton and Brandon, *Chairman* (President of The Building Societies Association); Mr J. Butterworth (a member of the Council of The Building Societies Association); Mr J. H. Hills, F.A.C.C.A. (a member of the Council of The Association of Certified and Corporate Accountants); Mr J. H. Mann, M.B.E., M.A., F.C.A. (a member of the Council of The Institute of Chartered Accountants in England and Wales); Mr V. R. Moll (a member of the Council of The Building Societies Association); Mr Gordon Newton (Editor of *The Financial Times*); Mr H. W. Norris (a member of the Council of The Institute of Bankers) and Mr O. Thyne (President of the British Federation of Master Printers).

The Cup will be presented by the Duke of Hamilton to the winning society on May 14th, at the Association's annual conference in Edinburgh.

**BROMLEY AND SOUTH-EAST LONDON  
DISCUSSION GROUP****Annual Dinner**

The first annual dinner of the Bromley and South-East London Discussion Group of the London and District Society of Chartered Accountants was held at the Royal Bell Hotel, Bromley, on April 14th, with the Chairman, Mr Robert S. Waldron, F.C.A., presiding. Amongst the guests present were the Mayor of Beckenham, Councillor Mrs D. E. L. West, M.B.E., J.P., C.C., and the Mayoress, Mrs P. Peel; the Mayor of Bromley, Alderman John Hunt, J.P., and the Mayoress, Mrs D. Hunt; Mr A. W. Nelson, A.A.C.C.A., chairman of the Bromley branch of The Association of Certified and Corporate Accountants, and Mrs Nelson; Mr J. Pearce, H.M. Inspector of Taxes, Bromley 1st district, and Mrs Pearce; Mr E. Kenneth Wright, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and Mrs Wright, and Mr D. Napper, F.C.A., a member of the committee of the London and District Society of Chartered Accountants, and Mrs Napper.

The toast of 'The Accountancy Profession' was proposed by the Mayor of Beckenham who said that as a woman she felt privileged to propose the toast. She

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF MAY 4TH, 1889

*A Weekly Note*

**CHARTERED ACCOUNTANTS' BENEVOLENT  
ASSOCIATION**

The third annual meeting of this institution whose report appears elsewhere in our columns, was held on the termination of the Institute's meeting. The president, Mr. W. W. Deloitte, dealt with the figures at length and especially regretted the fact that, although the membership of the Institute was steadily increasing, the members of the Benevolent Association showed a falling off. As in most of the concerns of this character, a very small proportion have to bear the whole brunt. It is very much to be regretted that the objects of this meritorious institution are so little regarded that only about one eighth of the members of the Institute pay regard to them.

congratulated the Discussion Group on its formation and added that their profession was faced with the exacting challenge of always being right. Replying, Mr E. Kenneth Wright said that members must keep up with the times. Their basic skills were being put through an 'explosion' of education, so that it was no longer sufficient to pass the Final examination. All over the country, he continued, courses were being started to widen the articled clerk's vision and the new Management Accountancy diploma and the Certificate in Management Information were proof of these new ideas. Referring to the Public Relations Committee of the Institute, of which he is Chairman, Mr Wright said that the image of a professional body did not depend on any small committee, it depended on the profession itself. Mr R. S. Waldron, proposing the toast of 'The Guests', referred to the distinguished guests present and the honour of having two mayors of boroughs which would eventually be combined under the Greater London Council. The Mayor of Bromley responded.

**THE ACCOUNTANTS' CHRISTIAN  
FELLOWSHIP**

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday next, May 4th, in the vestry of St Mary Woolnoth Church, King William Street, EC3. The scripture for reading and thought will be James, chapter 1, verses 5-7.

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## Practitioner Inquiry

THE excellent report on the practitioner inquiry, produced by the Economist Intelligence Unit for The Institute of Chartered Accountants in England and Wales, is marred by one outstanding omission and that is information on firms with sixteen or more partners. Of the twenty-seven firms in this category, only one completed and returned the Institute's questionnaire. The response from sole practitioners was 45.2 per cent, from firms with two to three partners 42.6 per cent, firms with four to nine partners 60.1 per cent and firms with ten to fifteen partners 44.7 per cent. The deplorable failure by the largest firms to co-operate in this praiseworthy exercise must be attributed to one or more of four reasons - the lack of internal facilities to produce the required information; reluctance to disclose the requested particulars despite the Council's assurance of anonymity; the belief that the inquiry would be of no practical value; and apathy. The first of these, complicated though most of the larger organizations must be, is scarcely credible. The other three are, in the best and broadest sense of the terms, anti-social or undemocratic or both.

Having said this, the next and much more pleasurable duty is to congratulate all those who did take the time and trouble to provide the figures and those who assembled them so lucidly and logically. The report, which is purely factual and based on figures mainly for the year 1962, is divided into three sections. The first and by far the largest is geographical. England and Wales are split into fourteen areas, corresponding to the regional distribution of the district societies, for each of which tables are given setting out statistics relating to (1) operative costs and income; (2) staff employed; (3) holidays, hours worked and hours charged; (4) charging rates per hour; and (5) articulated clerks. The information is divided into three sizes of firm, sole practitioners and those with two to three and four to nine partners and where appropriate, the median and upper and lower quartiles are supplied. The second section gives similar particulars for firms with ten to fifteen partners for all England and Wales. These statistics were not used in the regional tables because it was considered likely that figures could be identified with individual firms. The third section comprises a summary of all firms in England and Wales.

Interesting as are the first section, both for the information it provides and the comparisons between districts which it affords, and the second section for its data about the upper middle-class practitioner, it is in the third section that the true or near-true statistical picture of the profession emerges. It is estimated that the aggregate



working population in firms of chartered accountants in England and Wales is about 73,000 of whom 12,000 are working partners. Qualified staff (including members of other professional bodies) number 9,000 and unqualified staff another 21,000. Fifteen thousand articled clerks and 16,000 other staff make up the total. Clients may be 'in the order of 1.5 million' and the annual fees extracted from them 'is possibly as much as £100 million'. In calculating these figures, allowance has been made for the practices of firms with sixteen or more partners.

The report indicates that there is a divergence between different districts for gross fee income. Overall, however, the median for single practitioners is £4,000-£5,000. For two to three partner firms it is £9,000-£12,000, for four to nine partner firms £20,000-£30,000 and for ten to fifteen partner firms £139,000. The ratio of gross fee income to staff salaries, on the other hand, shows a large degree of consistency in trend over all districts. Taking the country as a whole, the ratio is highest for sole practitioners and tends to reduce as the firms become larger. Expenses vary widely between districts but, in general, costs per worker diminish as firms expand and employ more staff. The net incomes of partners also vary considerably, not only from district to district but among comparable firms in the same district. On a national basis, the average annual income of the sole practitioner is £1,500-£2,000 although the range extends from £400 to £8,000. In two to three partner firms, the average is £2,000-£2,500 and the range £400 to £9,000, in four to nine partner firms £2,500-£3,500 and £600 to £12,000 and in ten to fifteen partner firms £4,400 and £1,100 to £15,000.

It is estimated that firms with sixteen or more partners may employ about a quarter of all members of the Institute who work on the staff of firms of chartered accountants. As many of these are specialists commanding substantial salaries, the table of staff remuneration given in the report, in the absence of returns from these firms, cannot be regarded as representative of the profession as a whole. Of the total of 3,281 qualified staff in the sample, employed by firms with up to fifteen partners, only twenty-nine were reported as having salaries of over £2,500 per annum, a figure which includes bonus and overtime payments, insurance and pension fund

contributions and luncheon vouchers. At the other end of the scale, 142 qualified clerks (seventy-six of them in firms with four to nine partners) were in the £501-£750 per annum category, an odd state of affairs to which every district, including London, contributed.

The larger a firm becomes, the more apparent are the amenities available to both partners and staff. For example, only 18 per cent of sole practitioners in the sample run a staff pension scheme as compared with 80 per cent of the ten to fifteen partner firms. Holidays follow the same trend. Sole practitioners find time for only two weeks or even less but the tendency to take three weeks, noticeable in the two to three partner firm, is marked in the four to nine and ten to fifteen partner firms where four weeks or more is not unknown. Hours worked are in a similar pattern. A week of thirty-five to thirty-nine hours is usual with smaller firms working longer hours than larger ones. Articled clerks generally fare slightly better in the bigger firms although, here again, the lack of information concerning firms with sixteen or more partners who are reckoned to employ 12 per cent of all articled clerks prevents a rounded picture being presented.

It is early yet to conjecture what affect the report may have on the future structure of the profession but one consequence may well be an acceleration of the current trend towards the amalgamation of small and medium-sized practices. This is usually a security move to counter the corroding dangers of competition from larger firms rather than the aggressive desire to establish an empire. The accountant, however, can be a tenacious animal and there will always, we hope, be enough sole practitioners and small firms sufficiently proud of their independence to fight to preserve it. Age, ambition and appetites are other factors which, in this connection, cannot be quantitatively measured. Who, for instance, but the individuals concerned could assess the relative lots of the sole practitioner who earns £2,000 a year in a pleasant country town and walks to his work and the partner in a City firm who earns £5,000 a year and spends three hours each day travelling to and from his office? One thing is certain - the report will promote discussion and this, in a profession which is still at the critically formative stage, can only be beneficial.



## Choice of Accounting Period

THE management accounting service is intended to assist management in its day-to-day task of controlling the business and formulating policy. The management accountant is, therefore, concerned as much with the systematic preparation of data as with precision in its presentation. The accounting period best suited to the needs of management depends upon a variety of factors, and the actual period selected for regular reporting is bound to be a compromise based as much upon convenience and economy as upon any other reason, but three main factors must surely influence the choice. First, the period should be short enough to signal significant variations in production, costs or sales and thereby allow remedial action to be taken in good time. Secondly, the period chosen should be long enough to contain a reasonable degree of averaging and yet avoid an undue volume of clerical work in the course of preparing the returns. Thirdly, although difficult of attainment, all periods under consideration should contain the same span of working time.

How does industry deal with the problem of keeping management fully informed? The British Institute of Management has recently published the results of an inquiry undertaken among forty-seven companies, mostly large public companies.<sup>1</sup> Over two-thirds of the reporting companies stated that they worked to a calendar year for their annual financial accounts; the rest preferring the fifty-two week year (with a fifty-three week period every sixth year). Another impressive fact is that more than 90 per cent of the companies operated a full or partial system of standard costing and budgetary control. Indeed, the vast majority prepared reports for management purposes every four weeks or, alternatively, at the end of each calendar month according to the particular system in force. The only other variations noted were a weekly or quarterly statement needed for reasons peculiar to the industry or trade.

Within the established pattern of reporting,

more than half the companies showed a clear preference for the four:four:five-week sequence so as to provide first quarterly figures, thence half-yearly results and finally the amalgamation of four sets of quarterly accounts into the annual accounts. A further 26 per cent kept strictly to the calendar month, while only 13 per cent had adopted the four-weekly period sequence throughout the year (necessitating the preparation of separate reports thirteen times a year as compared with twelve times a year required with the other methods).

The remainder either managed to get along with the aid of quarterly accounts or, in two instances, simply with a four-monthly statement prepared three times a year. Again, the peculiarities of the trade (seasonal demand, continuous process plant, long-term contracts) may have persuaded management to depart from the regular monthly report and rely instead upon a short-cut or rule-of-thumb approach supplemented by more authenticated data covering longer intervals of time.

Moreover, the frequency of periodic costing-cum-financial statements can vary according to the level of management to which the statements are addressed. For instance, a contract manager might require a weekly statement, while his divisional head might be satisfied with monthly control figures; the board being presented with less detailed figures every quarter.

Apart from facilitating the preparation of quarterly and half-yearly figures, the four:four:five-week sequence found favour for other reasons. The month-end falls on the same day of the week through the year and each four- or five-week period can be brought into close alignment with the end of the calendar month, thereby simplifying the preparation of monthly statements and so avoiding the 'double' closure of records that might otherwise occur.

As each period coincides with the end of the production week, the payroll accounting falls into line, i.e. it avoids making provision for accrued wages for odd days. This can be an important point where weekly paid labour happens to be the predominant item in total costs.

<sup>1</sup> *The Accounting Period*. Information Note 22, Second Series. Available to B.I.M. Collective Subscribers only.

# Going Public

CONTRIBUTED

*A company which is under the control of not more than five persons will be immune from surtax directions if, inter alia, it is a company in which the public are substantially interested and the company's shares have been dealt in and quoted on a recognized stock exchange. But 'the public' is not defined in the relevant legislation and difficulty sometimes arises in consequence.*

IT is a common practice these days for family companies to make use of the stock exchange in order to raise additional funds for development, to avoid surtax directions and as a means of saving estate duty, while at the same time retaining control of the company within the family. With a view to avoiding estate duty altogether on a part of the shareholding, if the settlor survives the five-year period, large blocks of shares may be held on discretionary trusts. This, in turn, can complicate the question of 'control'.

Section 256 (1) of the Income Tax Act, 1952, states that section 245 of the Act (surtax directions) shall apply to any company which is under the control of not more than five persons and which is not a subsidiary company or a company in which the public are substantially interested. In determining whether a company is or is not under the control of not more than five persons, section 256 (3) states that persons who are relatives of one another, persons who are nominees of any other person together with that other person, persons in partnership and persons interested in any shares or obligations of the company which are subject to any trust or are part of the estate of a deceased person shall respectively be treated as a single person.

## Relatives

'Relative' is defined as meaning 'husband, wife, ancestor, lineal descendant, brother or sister', with some rather curious results. It is pointed out by David R. Stanford in *Tax Planning and the Family Company*, page 11, that a husband, his wife and his partner will be counted as two persons, but that if the partner is the wife's brother, the count may be but one. Again, if the sole shareholders in a company are X. and his nephew who are not relatives within the statutory definition, they will count as two persons. But if the nephew's father, who is X.'s brother, becomes a shareholder, the three of them may count as one person. In ascertaining the five persons all

methods of grouping must be tested, since different groupings may produce different counts. Thus, although X. can be grouped with his sister but not with her husband or son, by starting with the sister all four may be wrapped up in one bundle.

Briefly, for the purposes of section 256, a company is deemed to be a subsidiary company if, by reason of the beneficial ownership of shares in it, the control of the company is in the hands of (a) a company which is not a company to which section 245 applies, or (b) two or more companies none of which is a company to which section 245 applies.

By section 256 (5) a company is deemed to be a company in which the public are substantially interested if:

'shares of the company . . . carrying not less than 25 per cent of the voting power have been allotted unconditionally to, or acquired unconditionally by, and are at the end of the year or other period mentioned in section 245 of this Act for which the accounts of the company have been made up, beneficially held by, the public (not including a company to which the said section 245 applies) and any such shares have in the course of such year or other period been the subject of dealings on a stock exchange in the United Kingdom and the shares have been quoted in the official list of such a stock exchange'.

Two cases serve to define the meaning of 'the public' in the Finance Act, 1922, section 21 (6) (the predecessor of section 256 (5) of the 1952 Act), and in the corresponding provision in the Income Tax Ordinance, 1940, of Uganda, while one of these cases also throws light on the meaning of the expression 'quoted in the official list of such a stock exchange'.

## *Tatem Steam Navigation Company Ltd*

In the earlier case – *Tatem Steam Navigation Co Ltd v. C.I.R.* (20 A.T.C. 57, 137; 24 T.C. 57) – the issued capital of the company, which was

admittedly under the control of not more than five persons, was £350,000, divided into 350,000 shares of £1 each with equal voting rights. On March 31st, 1935, approximately 73 per cent of the shares were held by G. and by two companies controlled by him. Twenty thousand of the remaining shares, nearly 6 per cent of the whole, were held by G. and another as trustees of the marriage settlement of G.'s niece. Four thousand of these shares had been purchased by the niece herself and 16,000 had been transferred to her by G. as a personal gift and settled by the niece upon the trusts of her marriage settlement. The remaining 21 per cent of the shares was held unconditionally by about three hundred and ten members of the public. The position in 1936 and 1937 was not materially different, except that the niece had then acquired a further 2,100 shares which had also been put into the marriage settlement. The shares of the company had been quoted in 1914 and 1915 among the 'official quotations' of the Cardiff Stock Exchange daily list and during 1934 in the same list under 'other business done'. In 1935-37 the shares had been quoted in the London Stock Exchange daily supplementary list of securities not officially quoted.

The Assessing Commissioners made surtax directions in respect of the income of the company for each of the years 1935-37, against which the company appealed on the ground that it was a company in which the public were substantially interested inasmuch as (i) shares of the company carrying not less than 25 per cent of the voting power had been allotted unconditionally to, or acquired unconditionally by, the public; and (ii) such shares had during each relevant period been the subject of dealings on a stock exchange in the United Kingdom and had been quoted in the official list of such stock exchange. The Special Commissioners accepted the company's second contention, but decided that the 16,000 shares given by G. to his niece were not allotted to or acquired by the public and that the company was therefore not a company in which the public were 'substantially interested'.

### The Judgments

Lawrence, J., reversed the Commissioners' decision on the first point, saying the definition of the expression 'relative' did not include a niece and that there was nothing in the statutory provisions to indicate either that the niece was deemed to be one of the five persons who controlled the company merely because she was a niece, or

that the question of gift or consideration for the shares entered into the matter at all. The Court of Appeal unanimously affirmed this decision. Scott, L.J., said there was no suggestion and no evidence and no finding that G. had in fact any control over his niece; and no suggestion that he ever had any influence over her. There was also no suggestion that the niece was a nominee of G. or of any of the other persons within the limited category of five. An implication of control was raised by the statutory presumption in the case of husband and wife, ancestor, lineal descendant, brother and sister, but in the case of no others. The statute contained no prohibition against avuncular generosity, any more than against generosity to a person between whom and the donor there was no consanguinity or relationship at all.

The Commissioners decision on the second point was approved both at first instance and on appeal. Lawrence, J., said the Crown had assumed that the company's shares had to be mentioned among the official quotations of securities in the year in question, and that it was not sufficient if they were mentioned in the list of other business done. But both were contained in the one main list, and stock exchange witnesses had given evidence before the Commissioners that in their opinion the whole list was one official list, and that the other business done was equally a part of the official list of the stock exchange. Therefore the determination of the Commissioners was correct.

### Bjorda's Case

In *Commissioner of Income Tax (Uganda) v. H. Bjorda* (34 A.T.C. 18; (1955) A.C. 309) - which was an appeal from a judgment of the Court of Appeal for Eastern Africa to the Privy Council - the facts were very similar to those in the *Tatem* case, but the Income Tax Ordinance of Uganda contained no reference to control by relatives and no reference to the shares in question having been dealt in or quoted on a stock exchange. Instead the shares must have been freely transferable by the holders to other members of the public within the relevant period.

In this case a controlling shareholder and director held 73.96 per cent of the voting power, while his brother, who was also a director of the company, held 25.99 per cent of the voting power. Five other persons held one share each, which together amounted to .04 per cent of the voting power. The shares held by the brother had been

purchased from the controlling shareholder for full value, and it was not suggested that he was a nominee of the controlling shareholder or that he was acting in concert with him as shareholder or director. It was also not disputed that the shares possessed by members other than the controlling shareholder had been allotted unconditionally to, and had been held beneficially by, them, and had been freely transferable. It was common ground between the parties that the members of the company who were to be distinguished from the public for the purposes of the relevant enactment were those who had control of the company by voting strength, and that for the purposes of the case 51 per cent, and not 75 per cent, was the percentage of voting strength requisite to confer a controlling interest in the company.

The Privy Council held that the shareholder who held 73.96 per cent of the votes accordingly had a controlling interest in the company, and there being nothing to indicate that the brother was acting in concert with him, the brother must be regarded as a member of the public within the meaning of the statute. And as the brother held shares commanding more than 25 per cent of the voting power, the company was one in which the public were substantially interested. It was also held that, in the absence in the ordinance of any provision from which control by a relative could be implied, relationship by itself afforded no sufficient reason for grouping relations together in the process of determining where the controlling interest resided; and that shareholders in a company who were members of the public did not cease to be so because they became directors.

Mr de Silva, who gave the judgment of the Privy Council, said:

'If any of the other shareholders had been shown to have been acting in concert with the (controlling shareholder) they would, with the (controlling shareholder) have fallen into a group holding the controlling interest. The remaining shareholders would have been members of the public.

'It was said in the course of the argument that if the requisite percentage of voting power is not held by one individual but held by more than one individual, a controlling interest cannot be said to arise unless it is shown that the individuals who together hold the requisite percentage are acting in concert. In the case before their lordships over 51 per cent of the voting power was held by . . . a single individual, and consequently the question

does not arise. Their lordships express no opinion upon the questions which would arise when the requisite percentage is not held by a single individual but only by a group, or by overlapping groups, of individuals.'

So the latter question is still open.

### 'Control'

In *B. W. Noble Ltd v. C.I.R.* (6 A.T.C. 142; 12 T.C. 911) the words 'controlling interest in the company' occurring in the Finance Act, 1920, were said by Rowlatt, J., to mean the interest of one:

'whose shareholding in the company is such that he is the shareholder who is more powerful than all the other shareholders put together in general meeting'

and this opinion was approved by the House of Lords in *British American Tobacco Co Ltd v. C.I.R.* (21 A.T.C. 353; 29 T.C. 49). But this question of control can raise some tricky questions. In *C.I.R. v. J. Bibby & Sons Ltd* (24 A.T.C. 70; 29 T.C. 167) the directors of the company in their own right held less than a majority of the voting powers, but three of them as trustees held sufficient shares to make up the balance, and it was held that their votes in respect of the joint holding should be aggregated with the individual holdings of the directors in determining whether the directors held a controlling interest.

As the trustees were all directors, the House did not have to consider what the position would be if only one of the trustees had been a director of the company, but this question arose in the Court of Session in *John Shields & Co (Perth) Ltd v. C.I.R.* (29 A.T.C. 267; 29 T.C. 475). In that case more than half the share capital of the company was held by the trustees of the will of a former governing director of the company. The voting rights in respect of these shares resided under the company's articles of association in the trustee first named in the company's register except on the occurrence of an event which at the material time had not happened. The trustee whose name appeared first on the register was never a director of the company, and it was held that, in these circumstances, the directors did not have a controlling interest in the company, notwithstanding that one of the other trustees was a governing director of the company and might have secured for himself the majority of

the voting powers. In *Barclays Bank Ltd v. C.I.R.* (39 A.T.C. 141) Lord Cohen said that he agreed with this decision.

The question sometimes arises as to whether a company in which the public is substantially interested within section 256 (5) of the 1952 Act is immune from control for the purposes of an assets valuation under section 55 of the Finance Act, 1940, as amended. The position is dealt with in subsection (4) of section 55, and the effect is that section 55 (as amended) does not apply to the valuation of shares of a class as to which permission to deal has been granted by the

committee of a recognized stock exchange in the United Kingdom and dealings in the ordinary course of business on that exchange have been recorded during the year ending with the death, the part of the value of the assets to be apportioned to shares of that class under subsection (2) (c) being determined by reference to the prices recorded in such dealings. Broadly speaking, therefore, if a company is one in which the public are substantially interested, and there is only one class of share in issue, then section 55 (4) will take the company outside the scope of an assets valuation.

## Productivity and Profits

by W. J. R. McEWAN, C.A.

A GREAT deal has been said about the need to increase productivity and quite a lot of useful ideas have been put forward as to how this may be achieved. The benefits, both to the national economy and to individual companies, have been stressed, and it has been emphasized that the benefits are greatest when the increased productivity is used to increase production rather than merely to reduce cost. Table 1 illustrates the typical argument.

TABLE 1

Relationship between Profit, Increased Volume and Reduced Costs

	Original	Increase Volume	Reduce Cost Only
Sales .. ..	£ 1,000	£ 1,330	£ 1,000
Costs:			
Labour .. ..	150	180 (1)	135 (3)
Other Variables	450	600 (2)	450
Fixed .. ..	300	300	300
Total .. ..	900	1,080	885
Profits .. ..	100	250	115
Profit Increase ..		150%	15%

(1) Labour  $£150 \times 1.33 \times 0.90 = £180$

(2) Other Variables  $£450 \times 1.33 \dots = £600$

(3) Labour  $£150 \times 0.90 \dots \dots = £135$

These figures show the benefits which might be available from a labour productivity exercise, e.g. the introduction of work study and incentives. If the available extra output is sold, the profits rise to £250. If the former level of sales is continued, the only benefit is labour cost reduction and profits only increase to £115.

Similar benefits can be claimed for exercises aimed at increasing the productivity of the sales force and of materials. In the latter case the *additional* benefits will usually be less pronounced because they normally represent a higher proportion of cost.

### Side Effects of Increased Productivity

But are there no snags – no side effects – for which the individual company has to be on its guard? There certainly are and, as might be expected, they are most likely to occur when the extra benefits of increased volume are being sought.

### Balancing Production and Sales

Many of the problems arise from the need to balance output and sales.

Higher sales resulting from increased sales force productivity will create demands on the factory and other departments of the business. Costs per unit could well be increased by overtime increments, training costs, increased delivery mileage per unit of product, and an increase in setting/running ratios caused by salesmen scraping the market barrel. Equally, increased output through increased labour productivity will create demands on the sales force and other departments. Costs per unit could well be increased from several sources including hurried ill-conceived sales promotion, unskilled selling, increased delivery mileage or an increased proportion of 'small' orders. The lesson to be drawn from all this is that an increase in productivity in one department

creates the need for close attention to operating costs in other departments as well.

There is also the special problem of fixed costs, which have been jokingly referred to as costs which increase when volume increases and are unalterable when volume falls. This apparently facetious statement is uncomfortably accurate, especially where substantial increases in volume are being sought. If, therefore, it is desired to obtain the benefits of increased volume, it is essential to see that fixed costs are kept fixed.

### Pricing

Increases in productivity and production frequently have a hidden effect on prices, especially in jobbing industries where prices are commonly based on estimates of cost. This is illustrated in Table 2.

TABLE 2

The Effect of Increased Productivity on Jobbing Estimates

	Before		After		Effect of increased Productivity
	Total	Job X	Total	Job X	
Labour .. ..	150	15	180	13.5	10% cost saving from 33% increased productivity 20% increased earnings No change per job $\frac{300}{180} = 1.67 \times 13.5$
Other Variables ..	450	45	600	45	
Fixed Expense ..	300	30	300	22.5	
	900	90	1,080	81.0	
	100	10	120	9.0	
Profit (11%) ..	1,000	100	1,200	90.0	

These figures are based on the same data as Table 1, where an increase of 33 per cent in volume, and a reduction of 10 per cent in labour cost, were anticipated as a result of increased labour productivity. In Table 1, profits were expected to increase from £100 to £250. The above calculation shows an increase from £100 to only £120. What has gone wrong? The simple facts are that the introduction of new estimating rates for labour and fixed expense, plus a rigid adherence to the view that 10 per cent profit on turnover is enough, have led the business to charge only £90 for a job for which they would previously have obtained £100.

When increasing productivity in a jobbing business, there is therefore a real need to decide to what extent the benefits should be passed on to customers.

### Overall Rate of Margin

So far we have dealt with the side-effects of increased productivity in relation to individual products or jobs, or we have looked on total business results on the assumption that the 'mix' of products will be in the same proportion after the increase as before.

Suppose now, that after various improvements in productivity, the accountant of a business has re-calculated the product costs as follows:

TABLE 3  
Product Costs, Selling Prices and Profit

	Product A.	Product B.	Product C.
	£	£	£
Direct Material .. ..	40	50	60
Direct Labour - Variable ..	10	15	20
Overheads - Variable .. ..	12	15	18
Fixed .. ..	18	25	52
Total Cost/Product .. ..	80	105	150
Selling Price .. ..	100	125	150
Profit .. ..	20	20	—

The variable costs have been thoroughly checked and are truly representative of the future costs per product. The fixed overhead figures have been related to anticipated volume and it is felt this has been properly gauged because one machine in the factory is a bottleneck and its output, which can be accurately measured, controls the overall output.

On submitting these costs to management, the accountant may well obtain the following reactions:

Mr X. calculates the profits as a percentage of selling price and says it will be best to concentrate sales effort on Products A. and B.:

	A.	B.	C.
Profit - per cent of selling price .. ..	20%	16%	0%
Order of preference ..	1	2	3

Mr Y. looks at the profit per product and says that there is nothing to choose between A. B. but that C. has only nuisance value.

	A.	B.	C.
Profit - £ per product ..	£20	£20	£—
Order of preference ..	1 =	1 =	0

Mr Z. says that if one of any product is sold instead of one of any other, the total fixed overheads will not change, although there are differences in the fixed overheads including in the costings. He says the thing to look at is selling price less variable cost since this is the 'contribution' each product makes towards fixed overheads and profit. In other words, after enough has been sold to meet the fixed overheads, each additional product sale would increase the profits by the amount of this contribution.

	A.	B.	C.
	£	£	£
Selling price .. ..	100	125	150
Variable cost .. ..	62	80	98
Contribution .. ..	£38	£45	£52
Order of preference ..	3	2	1

None of these opinions is, of course, correct. Mr Z. came nearest; but he omitted to find out whether the bottleneck machine could make more of one

product than another. The following figures illustrate the point:

	A.	B.	C.
Contribution/product (as Mr Z.) .. ..	£38	£45	£52
Bottleneck m/c hours/pro- duct .. .. .	1.0	1.0	1.5
Contribution per m/c hour	£38	£45	£34.7

Two conclusions can be drawn from this example:

- (1) Increased productivity may provide the opportunity for substantially increasing profits by concentrating effort on the most profitable products.
- (2) Failure to use the right measure of product profitability, or to recognize the significance of a bottleneck or limiting factor, may result in wrong decisions being made.

It must be emphasized that machine capacity is by no means the only possible limitation on output and sales. Restrictions could be imposed by such factors as material quotas, shortage of skilled labour, shortage of working capital, size of market and so on.

Sometimes the mathematical problems imposed by a wide range of products and a series of potential limitations will only be solved by a computer. But this is no reason to hide our heads in the sand and revert to the traditional 'percentage on sales' calculation without carefully considering whether it makes sense or not.

### Capacity

Reference has already been made to the need to balance the quantities produced and sold and to the danger of certain costs rising in the course of achieving such a balance. In some cases the problem of balance goes much deeper and will require major changes in a business's capacity to sell, to produce, to administer and to finance.

The increased sales required as a result of improved labour productivity may require the development of entirely new markets and outlets, the hiring and training of additional salesmen or the purchase of extra transport.

The increased production required as a result of improved sales force productivity may require the organization of additional material supplies, the hiring and training of labour, the purchase of additional plant or the provision of space for new plant and stores.

Administration capacity may have to be increased in both cases to cope with the additional orders, invoices and payrolls which are inseparable from increased volume. This may take the form of more staff or a change of equipment. In either case staff training will be required.

Quite apart from the disturbance imposed by these aspects of increased capacity, there is the cost. It is a sobering thought that a business can buy its way out of a shortage of any capacity, except the capacity

to finance. Money must be available to cover the following:

- (1) Capital expenditure on premises, plant, transport, office machines, etc.
- (2) A higher level of customer indebtedness, caused not only by the higher volume of sales but perhaps also by the need to allow longer credit.
- (3) A higher level of stock and work in progress. Extra stocks to provide adequate cover for a higher level of sales are usually partly financed by creditors and seldom present a problem. But stockpiling resulting from failure to sell output inflated by improved productivity can quickly empty the cash-box and make it difficult to pay even the wages. At its worst this could destroy a business completely.

It is therefore essential when planning increased productivity to ensure that finance will be available to support it. Since money takes time to raise, it is necessary to look well ahead.

### Need for Total Planning and Control

At this point it is useful to summarize what has been established so far:

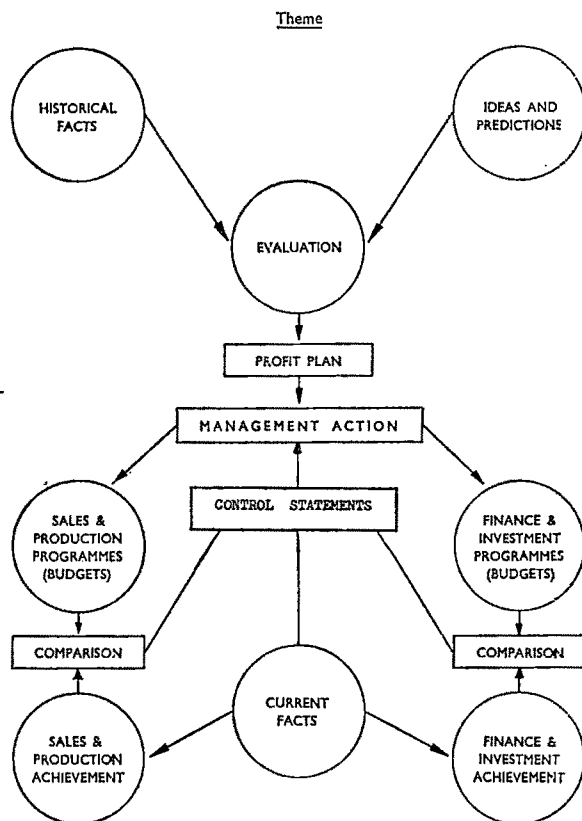
- (1) Increased productivity can be used to reduce costs and increase profits.
- (2) It can also be used to increase volume and, when this is possible, the potential increase in profits is substantially greater.
- (3) If the increased volume is concentrated on the more profitable products, an even greater increase in profits is possible.
- (4) In obtaining these benefits, it is necessary to guard against certain side effects. To do so management must remember the following:
  - (a) Balance output and sales.
  - (b) Minimize other operating costs.
  - (c) Fix the fixed costs.
  - (d) Don't give away the benefits.
  - (e) Measure product profitability correctly.
  - (f) Check the money, looking well ahead.

The task of reaping the benefits of increased productivity is therefore a many-sided one, involving not only the department or aspect under immediate attention, but every other activity of the business. To cope with this, each manager must understand what is required of him and must be kept informed as to whether he is achieving it. This can only happen when the future operations of the business are planned on a total basis and administered through a total management control system, as illustrated in the diagram overleaf (Table 4).

### The Profit Plan

A basic factor in the development of the profit plan is the creation of the right attitude of mind. Far too often the task is regarded as one involving crystal balls and a brilliant appreciation of economic trends. The last of these is undoubtedly necessary in busi-

TABLE 4 THE TOTAL MANAGEMENT CONTROL SYSTEM



nesses that have a large share of the market; but in most cases it is far more important to have sheer determination to achieve a specified goal. In other words, the profit plan should be regarded as a statement of intention, not as a forecast.

Another important concept is that each year's profit plan should represent a clearly-defined step towards achieving longer-term goals. These long-term goals need not be specified in any great detail. A broad aim to achieve a stated turnover and profit in five to ten years and some idea of the marketing policy, equipment and money required will usually suffice. The value of this approach lies in concentrating the thinking of senior management in the same general direction and in bringing into the open any major problems to which early attention has to be given, which may in turn affect immediate profit plans.

The detail required in the plans and budgets of individual businesses varies greatly. In some cases detailed sales and production plans, allowing for seasonal fluctuation, would be essential to sound financial planning. In other cases, jobbing for example, there may be no possibility of planning on a detailed product basis. The need is to determine the key factors which affect the success of the individual business and ensure that sufficient detail is provided

to indicate clearly what the objectives are in relation to each.

### Control Statements

Control statements are the feed-back mechanism of the control system. Their function is to show management where current performance is not in line with the profit plan, to draw attention to factors which may affect future achievement and to trigger off action. Each control statement should relate to the personal responsibility of one manager and should form part of a properly developed scheme of management information, based on the business organization structure.

Although many factors contribute to the format of well-designed control statements, the prime considerations are that they should give information and not calculations and that the vital information should be emphasized. Attention should be concentrated on deviations from the profit plan. The principle of 'control by exception' both directs and improves the efficiency of management action at all levels in the organization.

### Action

'Unless action is taken, nothing will happen.' This slogan is so important that perhaps it should be printed in red across the bottom of every control report. To ensure action, it is essential that a routine is established for reviewing and following-up control information. A useful basis for this routine is an action report on the following lines:

TABLE 5  
Action Report

Control Centre	Item	Cause	Action	By	Action Taken
8	Volume Low - 58	Line 18 down three times due to wearing conveyor chain.	Works order on Engineering Dept for purchase and fitting of new chain.	MB	22.8.62
9	Productivity Low - 72	Lost time waiting slugs from melting house.	Work temporary overtime in melting house to build up bank of slugs.	JK	25.8.62

Experience shows that there is a strong temptation to confuse investigation with action when completing the fourth column. This tendency must be actively combated.

### Conclusion

This article has tried to maintain a reasonable balance between the undoubted potential of increased productivity, and the problems to be overcome in ensuring that the results are seen in the trading statement. Perhaps a useful way of summarizing what has been said is to liken increased productivity to fermentation in a wine vat. Expect it to look after itself and it will turn sour on you. Take charge of it, guide it and regulate it and the result is something that will improve and mature over the years.



## The Institute of Chartered Accountants in England and Wales

# President's Address

### at the Institute's Annual Meeting held last Wednesday

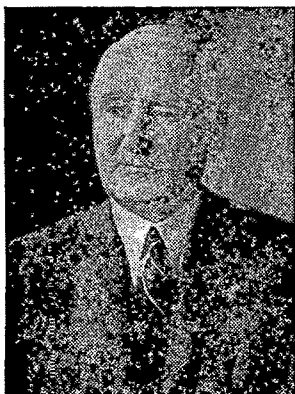
THE eighty-third annual meeting of The Institute of Chartered Accountants in England and Wales was held at Church House, Westminster, last Wednesday, when the following address was given by the President, Mr Robert P. Winter, C.B.E., M.C., T.D., D.L., F.C.A. A report of the proceedings at the meeting, and at the business sessions held during the afternoon, will appear in next week's issue.

\* \* \*

Before I submit for your consideration the annual report of the Council and the accounts of the Institute for the year 1963 I would like to mention some of the more important matters with which the Council has been concerned during the past year.

#### Education and Training

First of all I would like to refer to the fundamental matters of education and training. Efforts to improve all aspects of professional education remain a major



Mr R. P. Winter

preoccupation of the Council. It is important to remember, as my predecessor emphasized in his address last year, that the main responsibility in these matters rests upon individual members. This is specially true of principals upon whom falls the task of selecting candidates for entry into articles.

The care which they now bring to this task will determine the qual-

ity of the Institute's membership for the next fifty years, a period which will, I am sure, call for great intellectual effort and versatility on the part of chartered accountants as they adapt the application of their skills to the changing needs of their clients or employers. If a student has not the necessary reserves of ability he will fail to meet this challenge and the prestige of the profession will suffer.

Members sometimes complain that it is difficult to find articled clerks of the right type. There is no doubt that students with high standards of ability, energy and perseverance now tend to remain at school until the age of 18 or go on to the universities. These are undoubtedly the types we want to attract into the

profession and to do this we must do all we can to bring to the notice of careers masters and appointments officers the advantages of our profession.

Many of the improvements proposed by the Council in the training of articled clerks could not be implemented until the necessary amendments in the Supplemental Royal Charter and bye-laws were approved by the Privy Council. This approval was obtained last November and although it is too soon to assess their effect, these changes have given rise to considerable preparatory work on the conduct and administration of the revised scheme of examinations and modifications in the conditions of service under articles.

Pilot introductory courses for newly articled clerks are being promoted, mainly at colleges of further education, as recorded in the annual report. Their objective is to ease the transition of students from full time general education to part time professional study. First impressions of these courses tend to confirm that the student benefits both in his later studies and in his ability quickly to make an effective and responsible contribution to the work of his office. By the autumn our hope is that courses will be within the reach of most newly articled clerks and our attention is now turning to ways in which oral tuition may contribute to later training.

In all these efforts the full co-operation of district societies, colleges, private tutorial establishments and the Ministry of Education has been most gratifying. I wish particularly to acknowledge the service being given to the profession and indeed to the business community at large by our members in the educational world; and I would urge any member who is attracted to this work to write to the Institute.

#### Post-graduate Training

Members also have an obligation to increase their professional competence in order to meet with confidence their diverse and complex responsibilities in an ever changing world. It is a duty of the Council to facilitate and encourage the fulfilment of this obligation. Summer courses and technical publications are familiar features of the work of the Council. Last year's successful innovation of business sessions on the day of the annual meeting is being repeated this afternoon.

Further lines of development which call for special mention are firstly the series of courses on electronic data processing, designed for members with little or

no technical knowledge of the subject, with the object of providing an introduction to the subject for members in practice who are likely to have to audit a computer system and for those in commerce and industry whose firms are likely to acquire a computer in the not too distant future. There has been a most encouraging response for the courses to be held at Brighton later this month. It had been our intention to hold courses at about six-monthly intervals but the response has been so great that the Council is considering the possibility of holding three courses during the coming winter.

Secondly, we are proposing to introduce the Certificate in Management Information and the Joint Diploma in Management Accounting Services details of which were sent to all members in January and are set out in the papers which accompanied the notice convening the special meeting.

### Technical Activities and Taxation

I do not need to remind you of the importance the Council attaches to its activities in the technical field. The details contained in the annual report give some idea of the nature and scope of these activities and I do not propose here to attempt to summarize them.

I should however like to make special mention of the wide scope of the Council's activities in the sphere of taxation in recent years. The Council has submitted memoranda to the authorities on matters ranging from the complexities of overseas trade corporations to routine administrative procedures affecting millions of taxpayers, such as the design of income tax return forms.

The year under review saw exceptional activity by the Council in this field. In addition to commenting, as it does every year, on the provisions of the Finance Bill, the Council submitted important memoranda to the Richardson Committee on Value-added tax, to the Chancellor of the Exchequer on the Income Tax Management Bill and to the Board of Inland Revenue on 'Some taxation anomalies and practical difficulties'.

There is no doubt that the authorities attach particular weight to the representations of the Institute in these matters, for they recognize that the Council speaks with practical knowledge of affairs, appraises difficulties objectively and pursues no sectional interest.

The Income Tax Management Bill has introduced a number of important administrative changes in fiscal legislation and the Council welcomes it as likely to do much to ease some of the particular burdens which the nature of the previous legislation inevitably placed on those dealing with tax matters. In passing I should like to welcome a further useful administrative innovation, long advocated by the Council, which was announced during the course of debate on the Income Tax Management Bill. It is proposed that copies of assessment notices may in future be sent, subject to appropriate authorization by the taxpayers concerned, to the professional advisers of taxpayers

engaged in trades or professions. Implementation of this apparently simple change involved a number of technical difficulties but these have now been overcome and I have no doubt that taxpayers and their advisers will find the new arrangements of mutual advantage.

Turning now from taxation, I should like to speak of another monetary matter of national importance. I refer to the report of the Halsbury Committee on Decimalization of the Currency. As you will know, the committee was divided four to two regarding the basis of decimalization which it recommended should be adopted. The majority favoured decimalization on what may be described as the £/cent $\frac{1}{2}$  basis. The minority favoured what may be called the 10s/cent basis.

The committee presented the case for and against the various possible bases of conversion clearly and fully and I do not propose to repeat the arguments here. Suffice it to say that, while the system of decimalization to be adopted is plainly important, the primary needs are for an early decision in principle to decimalize and the announcement of a conversion date. The longer such a decision is delayed the greater will be the ultimate cost and I hope that political considerations will not impede the introduction of this important, practical and useful change.

Before I leave the subject of technical activities I should like to refer to the Council's decision to change the name of the Taxation and Research Committee to Technical Advisory Committee. This has been done to avoid confusion with the Research Committee, to which I will refer in a minute, and because the new title more clearly indicates the committee's scope and functions. I should like to pay tribute to this committee for the considerable assistance it gives the Council in technical matters. Many of the technical statements and memoranda issued by the Council pass through its hands at some stage in their lives. I have no doubt that under its new name the committee will continue its important activities with its customary vigour.

### Research Committee

It has recently been announced that Sir William Carrington has been appointed Chairman of the new Research Committee. The objects of the committee are to study accounting and allied subjects which have not yet been fully explored or developed and which may be of a controversial nature. As a result of these studies the committee will issue documents to stimulate thought and discussion.

We hope to obtain the co-operation of members in the universities and the teaching field generally and to form links between them and members in practice, industry and commerce by setting up local study groups to undertake research in particular subjects.

To finance the activities of the Research Committee, a Research Foundation has been established as a charitable fund. The trust deed has been agreed with the Inland Revenue and will ensure that the

benefit of income tax relief will be obtained for this educational work.

### **The Budget**

I have already made reference to the administrative aspects of taxation and I hope I may be forgiven if I return to this important subject in connection with this year's Budget. It is now three years since Mr Selwyn Lloyd announced that he proposed to examine the possibility of introducing a corporation tax unifying the present income tax and profits tax on companies. The examination which followed indicated that the proposed amalgamation of the two taxes would not be satisfactory. Instead, the Chancellor announced in his Budget speech last year that he was exploring the possibility of assessing companies to tax on an accounting year basis instead of the present complicated preceding year basis.

The Council attaches the greatest importance to implementation of this change which it has advocated forcefully for many years. The preceding year basis of assessment is probably responsible for more practical tax difficulties and anomalies than any other single aspect of fiscal legislation. Reform is long overdue. It was therefore disappointing, though perhaps understandable in the circumstances, to learn that the Chancellor was not in a position to introduce the necessary changes this year.

It must be recognized that a reform of this nature necessarily involves considerable technical difficulties. Plainly, care must be taken that neither the Revenue nor taxpayers shall suffer undue disadvantage during transition. It may be anticipated that the legislation for dealing with the transitional period will be complex and for this reason I welcome the Chancellor's decision to issue a White Paper outlining the new scheme, together with a draft of the main provisions which would be needed to bring it into effect. These arrangements will give more time for appraisal of the proposals than is available when complex new legislation is introduced in the context of a Finance Bill which, for technical reasons, is subject to a rigorous Parliamentary time-table.

### **Overseas Relations**

A feature of the past year has been the continued development of closer contacts with accountancy bodies throughout the world, particularly with those on the continent of Europe. The first European Congress of Accountants was held in Edinburgh last September and I am sure that all those who were able to attend that congress will be anxious to take advantage of the opportunity provided by the fifth congress of the Union Européenne des Experts Comptables Economiques et Financiers (U.E.C.) to be held in Vienna in the coming autumn for furthering the contacts made in Edinburgh with their European colleagues. The Vienna congress will be the first U.E.C. congress to take place since the Institute became a member of U.E.C. and I hope that as many members as possible will attend the congress and in this way indicate the

importance they attach to the development of co-operation and understanding with their professional colleagues on the Continent.

### **The Practitioner Inquiry**

A copy of the report on the Practitioner Inquiry was sent to all practising members in the United Kingdom on April 30th. It is also available to all non-practising members of the Institute on request.

Even the briefest of glances will, I am sure, suffice to indicate the enormous amount of work which this inquiry has entailed and the debt owed to the District Societies Committee which has handled both the inquiry and the report.

The report has been prepared by the District Societies Committee for consideration by the Council which has just commenced to give it the detailed study it demands. As I stated in the foreword to the report, I hope that there will be many meetings of district societies, branches, groups and individual members to discuss this report. I feel sure that the views which members may wish to express will be of great help to the Council in considering what action is required.

### **Moorgate Place Redevelopment**

I am glad to be able to report that the negotiations for the acquisition of properties adjoining the Institute hall and offices in Moorgate Place have progressed to the point where we can now embark upon our plans for redevelopment with a view to beginning work on the building early in 1965. The new building will, at present rental values in the City, be a very valuable asset. It will provide us with an opportunity to create a building which not only will provide better facilities and amenities for members, for the Council and its committees but also adequate accommodation for the Institute's secretariat.

### **Finance and Annual Accounts**

I do not propose to review the finances of the Institute in view of the detailed memorandum which was sent to members before the special meeting held last September. The annual accounts show a general revenue surplus of £1,347, together with a surplus of £1,025 on the Student and Examination Account which will be applied for the future benefit of students. It is the intention of the Council to introduce extensive changes in the presentation of the 1964 accounts in order to make them more informative.

### **Incorporated Accountant Members**

It was with the greatest regret that the Council, after long and careful consideration of the representations concerning the status of Incorporated Accountant members of the Institute, decided that it could not recommend any change.

I will not say any more now on this matter as it is to be discussed later in the meeting.

**Business Sessions**

This afternoon will be the second occasion on which business sessions have been arranged. The response to this innovation augurs well for the establishment of these sessions as a permanent feature. I am sure we all will enjoy this opportunity to meet together and take part, with the minimum of formality, in stimulating discussions of matters of common interest.

**Secretariat**

In conclusion I should like to pay tribute to the work of the secretariat during an exceptionally busy year and especially I wish to thank the Joint Secretaries for their help to me personally.

I hope that Mr Wilkinson on his return from sick leave will be able to continue his outstanding contribution to the affairs of the Institute.

## Weekly Notes

**IRISH INSTITUTE'S NEW PRESIDENT**

**MR JOHN LOVE, F.C.A.**, a partner in the firm of Cooper & Kenny, Chartered Accountants, of Dublin, was elected President of The Institute of Chartered Accountants in Ireland at the seventy-sixth annual meeting of the Institute in Dublin last Saturday.



Mr John Love

Mr Love, who was one of the four members of The Society of Incorporated Accountants co-opted to membership of the Institute Council in 1957 under integration, served under articles with Mr A.H. Walkey, F.C.A., and the late Mr W. R. Rawlinson, F.C.A. While serving with Messrs Rawlinson, Allen & White, of Belfast, he

passed the Society's Final examination in 1925 and was admitted to membership in the same year.

Subsequently leaving Ireland he spent some years in Plymouth as an assistant to Nevill, Hovey, Smith & Co, Chartered Accountants. In 1935, however, he returned to the firm of Cooper & Kenny where he became a partner in 1942.

Elected to Fellowship in 1945, Mr Love took an active interest in the affairs of the Society in Ireland. He was Honorary Secretary and member of Council of the Society's Irish Branch from 1945 until 1958 and Vice-President of the Branch at the date of integration.

Keenly interested in education for the profession, Mr Love has, for several years, been a member of the Institute's Education and Training and Examination Committees and he represented the Institute on the Society's Board of Examiners from 1958 until the examinations of the Society were discontinued in

1961. A past chairman of the Dublin Society of Chartered Accountants, Mr Love, who was elected Vice-President of the Institute at the annual general meeting last year, has also represented the Institute on a number of joint committees with other accountancy bodies, including the Joint Management Accounting Services Diploma Committee of which he acted as chairman during 1963.

Mr Love admits to a mild interest in gardening, but he has never been known to allow this to interfere with his keen and enthusiastic golfing activities. He was captain of Castle Golf Club during 1963-64.

The new Vice-President of the Institute is Mr H. W. Robinson, B.A.(MOD.), B.COMM., LL.B., F.C.A., a partner in the firm of Polden, Robinson & Co, Chartered Accountants, of Dublin.

**IRISH INSTITUTE'S YEAR**

**D**ESPITE the substantial debit of £1,299 in its income and expenditure account created by its seventy-fifth anniversary celebrations, The Institute of Chartered Accountants in Ireland contrived to show a small surplus of £104 at the end of 1963. This was due mainly to the new scale of examination fees coming into force from and including the summer session which transformed the net 1962 debit for 'examinations' of £1,880 into a credit in 1963 of £564. The finances of the Institute will be further stabilized when the revised scale of annual subscriptions becomes operative at the beginning of 1965.

The activities recorded in the Council's report for 1963 continue to maintain a pleasing balance between the cultural and the social. Regional conferences were held at Portrush and Killarney and, later this year, the biennial Institute conference will take place at Newcastle, Co Down. Because of the seventy-fifth anniversary celebrations, the usual Institute dinner was not held in 1963 but will be resumed this year on October 1st with Belfast as the venue.

The Policy Committee, during the period of the report, made two important recommendations to the Council. One suggested the introduction of definite terms of Council service for both practising and non-practising members so that opportunity for members to serve might be widened and, also, that the burdens of office might be shared. The proposals were approved by the Council and will in due course be

submitted for ratification by members. The other recommendation, also approved by the Council after sounding the views of members by questionnaire, relates to alterations in the regulations governing Institute fellowship. Readers will be interested in the President's remarks on this subject in his address at the Institute's annual meeting last Saturday, reported elsewhere in this issue.

In common with other professional bodies, the Institute finds that its headquarters are now too small to house its expanding interests. Plans have been approved for extensions to the premises at Fitzwilliam Place. These will include a small combined hall and library at the rear of the main office.

## This is My Life . . .

by An Industrious Accountant

Chapter 223

**Y**OUR accounts staff appear to be of rather poor quality,' said the personnel director grumpily. 'Low calibre. Limited management potential. Short on drive and initiative.'

Contradicting a director flatly to his face is not a hobby to be practised lightly or frequently. Characters overdoing this operation are reputed to age rapidly, develop ulcers of appalling malignancy, and ultimately eke out precarious livings as nightwatchmen. Prinny, in particular, has a naval irascibility behind his jovial façade, and in his occasional Captain Bligh moods he only stops short of keelhauling because there aren't any keels available at short notice. Nevertheless, this time he was due for a return broadside. With pained dignity and as much tact as I could muster (tact not always being my strong point), I pointed out to him the error of his ways.

An excellent staff, I expostulated, none better in the district. Old and wise or young and dashing; enterprising, able, and conscientious. Sage counsel in cumber, red hand in the foray (if necessary). Hearts of oak. Non-pareils. I was just launching into a choice description from Tennyson, 'self-reverence, self-knowledge, self-control, these three alone lead life to sovereign power,' when Prinny interrupted hastily.

'That's all very well,' he remonstrated, 'but it's not what you said in their appraisal forms.' This below-the-waterline retort halted me. You see, we have annual appraisal forms for our leading employees – a sort of progress report. I try to be just in analysis . . . full marks for industry, zeal, and integrity but a reference to a regrettable habit of making trivial errors in reports . . . a brilliant forecast of textile price movements but dollars totted among the £ sterling . . . justice is rarely appreciated.

## STOCK EXCHANGE AND ACQUISITIONS

**T**HE London Stock Exchange is revising its requirements concerning the announcement of acquisitions. Transactions are listed under four categories: those needing an announcement to the Stock Exchange and the Press as well as a circular to shareholders; those needing only an announcement; those needing no announcement unless the consideration includes securities for which a quotation is sought; and those involving a director, ex-director or substantial shareholder of the company.

The yardstick determining whether a detailed circular is necessary, however, has been lifted to 15 per cent of assets or profits of the company making

'Now, the sales manager has a really good team,' Prinny followed up remorselessly. 'He rated his seventeen as six Exceptionally Satisfactory, eight Very Satisfactory, and three Average. He rated nobody as Less-than-average, let alone Limited, as you did.'

I felt a rush of blood to the head as I tried to explain the fallacy in this incredibly halfwitted statement. You can't have everyone average or above-average; to have an average means that some must be below it. The director looked blank. I tried again. Even allowing for the sales manager's usual insistence that all his geese are swans, it just didn't add up. If, out of ten men, four are average and three above-average, then three *must* be below-average.

'Not with our top sales-staff,' said Prinny obtusely. 'None of them are below average. They don't do silly things like sending out the March cheque payments twice.'

I could a tale unfold of sales staff enormities to freeze his blood, but it's not done to let down your colleagues. Instead I sketched some figures for him. Assuming the average is correctly assessed, let it equal 0; let plus 1 equal over-average, and minus 1 equal under-average . . . then the total of all the ratings nets out at nil, thus proving your appraisals to be dead accurate. Simple as falling off logs.

'I don't trust figures. You can prove anything with figures,' Prinny withdrew with guns blazing. Personnel directors tend to be like that. Ask them if Smith is getting a rise and they talk about his subliminal *id*, or ask if you have read Lewisstein's new opus on the Carrollovingian dialectics. Evasive, that's what they are.

Anyhow, after much pressure he conceded that perhaps the sales manager had been over optimistic and that accurate judgement was to be preferred; the quick twinkle in his eye indicated he wasn't missing any tricks. Nevertheless, as I left his room he was muttering about I.Q. coefficients in group dynamic psychology. Wait till I deal with his PRID form; that'll teach Captain Bligh a salutary lesson.

the acquisition, whereas formerly the level was 10 per cent.

In the first two categories particulars of the value of the assets, net profits and consideration given are required, as well as an estimate of the expected benefits from the deal.

In the third category no announcement is required if the transaction is a cash one involving less than 5 per cent of a company's assets or net profits. On the other hand, if a company announces a number of small deals, the Stock Exchange may aggregate deals in deciding whether a circular should be issued. The Stock Exchange makes the point that major deals entailing basic changes in a company should be subject to shareholders' approval.

## Finance and Commerce

### Glass Problems

THE appointment of Messrs Tansley Witt & Co, Chartered Accountants, of London, as consultant accountants to the board of Jackson Brothers (of Knottingley) Ltd is a broad indication that difficulties have been encountered in the business. Jackson Brothers make glassware. There is a picture in the report of half a gallon of cider in a Jackson container.

The severe business setback in 1963 will be seen in the accounts which provide this week's reprint. Group profit before taxation dropped from £229,097 to £7,978.

Other companies in the glass container industry have reported on the difficulties the industry has had to face, especially the competition from non-glass products. The Jackson directors 'feel that there will be a long hard fight before the natural process of economics results in a more realistic price structure in the industry'. They express their confidence in the company's future and, as they see things at the moment, 'the corner has been turned'.

There are encouraging signs of more stable prices, and sales for the first quarter of 1964 were higher than for the corresponding period in the last three years.

### Overhaul

It is in such circumstances that the business machine gets a general overhaul. Sometimes one feels that the tightening-up was more than overdue as, for instance, in this case where shareholders are told: 'In the past our accounting and financial methods were adequate, but to meet the radically changed conditions, these have now been modernized to provide us with more

### ESTATE DUTY VALUATION UPHOLD

ALTHOUGH the tenth Duke of Devonshire died in 1950, the basis of valuation of his estates for estate duty is still not settled. On Monday the Lands Tribunal upheld an Inland Revenue valuation but the trustees have expressed their intention to appeal. The Estate Duty Office valued the ten estates, covering about 120,000 acres, at £3,176,646, whereas the trustees argued that the correct valuation was £2,718,829. They contended that the valuation should be made on the basis that the estates could only be sold in large lots to investors and speculators. The Tribunal held that the correct hypothesis was a series of sales in smaller lots.

sensitive control information.' There is a lesson here for all company accountants who may ponder on what they would do if profits dropped sharply away – do it now.

One of the objectives given to Tansley Witt as consulting accountants is 'to ensure that our financial policies and controls are as effective as our production and selling techniques'.

Apart from uneconomic competition in the industry, the Jackson board also had the expense of the overhaul of a new subsidiary, Bagley & Co. It was known, they state, that a planned programme of modernization of the subsidiary would be necessary when it was bought, and this was reflected in the purchase price.

The expenditure involved, they state, was an investment for the future. The bulk of the work has now been carried out but has involved a major drain on resources which in normal trading conditions would have been spread over a longer period. And it involved a temporary loss of production capacity, in spite of which, it is added, group sales volume increased.

### Eyesight Test

Whether one can welcome the change this year in the format of the company's accounts is debatable. The 1962 balance sheet, for instance, opened out to 16 inches across by 10 inches in the usual two-sided form, on off-white paper. The 1963 accounts, on dead-white paper, open to 17 inches by 11 inches, with the consolidated balance sheet to the left and the other to the right, both single-column to show how the total of net assets is represented by shareholders' funds.

What hits the eye is the turquoise-coloured background to the figures, three columns to the right and two to the left, of each narrative with long vertical columns of white, some  $\frac{1}{4}$ th of an inch wide, dividing the columns of figures. The figures seem lost in a sea of turquoise, the white vertical streaks hindering rather than helping the view.

One has to be so careful in expressing an opinion on

this sort of thing. Personal taste and feeling for lay-out and presentation may be too strong for unbiased judgement. So Jackson's accounts were passed round for other opinion. And to the question: What do you think of that? five out of six quickly decided that there was too much colour and too many white streaks. One said it made him think of an eyesight test.

One accounting change in principle concerns depreciation. With effect from January 1st, 1963, it has been decided to charge depreciation on assets acquired during the year from the beginning of the following year. Had the change not been made, it is explained in the notes, depreciation would have been £27,000 greater.

### Valuation

THE report of the Company Law Committee published in June 1962 recommended that shareholders should be advised if there was any substantial difference between the current market value of the fixed assets and their book value. What the Committee said is not law and from the way things are *not* moving, the prospect of a revision of company law is still distant. But it is as well that the Committee's recommendations should not be allowed to fade into the past and it is good to see a board of directors heeding the advice.

Mr J. C. Robinson, chairman of Thomas Robinson

#### JACKSON BROTHERS (OF KNOTTINGLEY) LIMITED AND SUBSIDIARIES CONSOLIDATED BALANCE SHEET AT 31st DECEMBER, 1963

Cost or Valuation £	1962 Depreciation £		Cost or Valuation £	Depreciation £	1963 Net £
893,099	144,079	<b>Fixed Assets</b>			
2,116,406	1,164,836	Land and Buildings . . . . .	954,310	160,256	794,054
149,449	125,243	Plant and Machinery . . . . .	2,334,618	1,251,824	1,082,794
		Motor Vehicles . . . . .	169,740	129,764	39,976
<u>£3,158,954</u>	<u>£1,434,158</u>		<u>£3,458,668</u>	<u>£1,541,844</u>	
	1,724,796				1,916,824
	2,783	Trade Investments at cost . . . . .			2,783
		<b>Current Assets</b>			
370,846		Stocks at lower of cost or market value			
253,604		Finished Goods . . . . .	371,465	669,079	
587,644		Raw Materials and Supplies . . . . .	297,614	629,869	
2,674		Debtors . . . . .		2,077	
	1,214,768	Cash . . . . .			1,301,025
	2,942,347				3,220,632
		<b>Deduct Current Liabilities</b>			
376,582		Creditors . . . . .		608,298	
155,123		Taxation . . . . .		110,606	
344,825		Bank Overdraft . . . . .		545,428	
(16,180)		Furnace Repairs Equalisation Provision . . . . .		21,996	
45,555		Dividend (net) . . . . .			
	905,905				1,286,328
	2,036,442				1,934,304
		<b>Less Deferred Liabilities</b>			
505,000		£500,000 6½% Debenture Stock 1970/73 . . . . .		505,000	
(182,558)		Less Redemption Insurance Policy (Surrender Value £189,879) . . . . .		208,706	
87,672		Future Income Tax . . . . .			296,294
	410,114				
	£1,626,328	<b>Net Assets</b> . . . . .			£1,638,010
		<b>Represented by Share Capital</b>			
Authorised	Issued and fully paid	75,000 6½% Cumulative Preference Shares of £1 each	Authorised	Issued and fully paid	
75,000	75,000	100,000 7% Second Cumulative Preference Shares of £1 each	75,000	75,000	
100,000	100,000	2,600,000 Ordinary Shares of 5/- each . . . . .	100,000	100,000	
650,000	425,000		650,000	425,000	
<u>£825,000</u>	600,000		<u>£825,000</u>	600,000	
	453,500	Share Premium Account . . . . .		453,500	
	73,584	Capital Reserves (note 2) . . . . .		86,584	
		<b>Revenue Reserves</b>			
108,000		General . . . . .	108,000		
391,244		Profit and Loss Account . . . . .	389,926		
	499,244				497,926
	£1,626,328				£1,638,010

& Son Ltd, makers of flour-milling and wood-working machinery, recalls the Committee's report, telling shareholders that it has been the directors' practice for many years to make 'very substantial depreciation provision' and it was decided to have an up-to-date valuation 'so that you could be advised of the true position'.

The valuation was made by F. S. Airey, Entwistle & Co on a going concern basis as at December 31st, 1963, the accounting date. Although the valuation made by them, Mr Robinson says, does not include any figure for patterns, drawings or goodwill, it is over three times the balance sheet figure and reflects the reserve in the fixed assets.

Land, buildings, plant, machinery, etc., are shown in the company's own balance sheet at £343,734 against £332,451, and there is a reference to Note 5. Note 5 says that the valuation refers to the assets of the Rochdale company, putting land and buildings at £581,375 and machinery, plant, tools, fixtures and motor vehicles at £586,545, a total of £1,167,920.

In the consolidated balance sheet, the figure for fixed assets is £391,311 against £385,675. The subsidiary is evidently Australian, the interest being shown in the Robinson balance sheet at £40,000, being 50,000 shares of £1 each less exchange adjustment. The subsidiary's accounts are made up to a different date.

**JACKSON BROTHERS (OF KNOTTINGLEY) LIMITED**  
**BALANCE SHEET AT 31st DECEMBER, 1963**

Cost or Valuation £	1962 Depreciation £		Cost or Valuation £	1963 Depreciation £	1963 Net £
595,954	86,509	<b>Fixed Assets</b>			
1,376,147	807,187	Land and Buildings . . . . .	630,629	96,698	533,931
71,665	64,517	Plant and Machinery . . . . .	1,458,711	849,859	608,852
		Motor Vehicles . . . . .	117,921	83,960	33,961
<u>£2,043,766</u>	<u>£958,213</u>		<u>£2,207,261</u>	<u>£1,030,517</u>	
	1,085,553				1,176,744
	700	Goodwill at Cost . . . . .			37,000
648,124		Trade Investment at Cost . . . . .			700
46,909		Investment in wholly owned Subsidiary Com-			
	695,033	panies Shares . . . . .		648,124	
		Loan Account . . . . .		100,000	
		Current Accounts . . . . .		119,872	
					867,996
		<b>Current Assets</b>			
193,230		Stocks at lower of cost or market value			
144,879		Finished Goods . . . . .	206,960		
355,343		Raw Materials and Supplies . . . . .	150,655	357,615	
1,364	694,816			389,464	
	2,476,102	Debtors . . . . .		480	
		Cash . . . . .			747,559
					2,829,999
172,882		<b>Deduct Current Liabilities</b>			
61,490		Creditors . . . . .		324,811	
361,569		Taxation . . . . .		75,600	
45,555		Bank Overdraft . . . . .		618,428	
		Dividend (net) . . . . .			
(63,346)	578,150	Furnace Repairs Equalisation Provision . . . . .		6,996	1,025,835
	1,897,952				1,804,164
		<b>Deferred Liabilities</b>			
505,000		£500,000 6½% Debenture Stock redeemable			
(182,558)		1970/73 . . . . .		505,000	
52,000	374,442	Less Redemption Insurance Policy . . . . .		208,706	296,294
	£1,523,510	(Surrender Value £189,879)			
		Future Income Tax . . . . .			
		<b>Net Assets</b>			£1,507,870
		<b>Represented by Share Capital</b>			
Authorised	Issued and	75,000 6½% Cumulative Preference Shares of £1	Authorised	Issued and	
75,000	fully paid	each . . . . .	75,000	fully paid	
100,000	100,000	100,000 7% Second Preference Shares of £1 each	100,000	100,000	
650,000	425,000	2,600,000 Ordinary Shares of 5/- each . . . . .	650,000	425,000	
<u>£825,000</u>	600,000		<u>£825,000</u>	600,000	
	453,500	Share Premium Account . . . . .		453,500	
	33,572	Capital Reserve (note 2) . . . . .		33,572	
		Revenue Reserves			
100,000		General Reserve . . . . .	100,000		
336,438	436,438	Profit and Loss Account . . . . .	320,798		420,798
	£1,523,510				£1,507,870
		Frank B. Jackson } Directors			
		Arthur S. Taylor }			



**JACKSON BROTHERS (OF KNOTTINGLEY) LIMITED AND SUBSIDIARIES**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED**  
**31st DECEMBER, 1963**

**NOTES ON THE ACCOUNTS**

1962 £	1963 £	£	£	1963 £
87,672	229,097	—	—	7,978
32,455		—	—	
(1,454)		50,138	50,138	50,138
	118,673			58,116
	110,424			
354,592		392,664		
—		31,180		
—		2,878		
	465,016	34,058		358,606
2,986		2,986		416,722
4,287		4,287		
19,524		19,523		
45,555	72,352	—		26,796
336,438		320,798		£389,926
56,226	£392,664	69,128		

The profits have been arrived at after charging the following

	1962 £	1963 £
Debtenture Interest (gross)	31,250	31,250
Directors' Remuneration		
Fees	400	400
Remuneration as Executives	45,446	36,232
Pension Scheme Premiums	6,192	9,041
Depreciation (note 1)	114,655	110,607

**1. Depreciation**

With effect from 1st January, 1963, it has been decided to charge depreciation on assets acquired during the year from the commencement of the subsequent year. On the basis previously adopted the charge for depreciation would have been £27,000 greater.

**2. Capital Reserve**

	1963 £	Group £
As at 1st January 1963	33,572	72,164
Add: Provision for future pensions previously included in liabilities (note below)	—	50,000
Pre-acquisition profits relating to earlier periods	—	1,420
Deduct: Goodwill of business acquired during year written off	33,572	123,584
As at 31st December 1963	£33,572	£86,584

NOTE: Under the arrangements made at the time of the acquisition of Bagley & Company Limited in May, 1962, two of the Directors of that company are entitled to annual pensions of £2,500 each for five years certain or ten years if they survive that period. At 31st December, 1963, the maximum amount payable for the periods stated is £46,042.

3. Contracts for Capital Expenditure amounting to £12,500 were outstanding at 31st December, 1963, (1962, £97,500).

## CITY NOTES

'SELL in May and go away' used to be a stock exchange maxim fairly rigidly followed. It was comforting to those who needed a reason for shutting shop in the summer.

This year, the old saying may have a grain of truth to it although not for the old reasons. The buying spree which followed the Budget has rather ominously faded much quicker than expected.

There were hopes of a rising market until June, but the top has already gone off the equity rise and even if sellers are not exactly pressing, they are in the majority. Selling is being concentrated on the ultra low-yielding shares which are considered politically vulnerable.

It can be argued that any pre-October set-back may not be as heavy as the fall in February because of the higher dividend and earnings yield basis written into the equity market, but political doubts can make nonsense of theory.

Some brokers are currently going as far as to suggest that new equity buying should not be made on anything under a 6 per cent yield basis now. That may be an extreme view, but it is an indication of current thinking and particularly of the attitude towards low-yielding equities in conditions of political doubt.

\* \* \* \*

THIS week's issue of £400 million Funding 5½ cent 1987-91 Stock was followed by the customary announcement that the full amount of the stock had been allotted with all applications from the public being allotted in full.

As is also customary, it is accepted that the bulk of the stock was taken by Government departments and

the Government broker will ease stock on to the market on the 'tap' basis.

The issue was largely in line with market expectations, since it was in the 'long' end of the gilt-edged market that the authorities needed this type of stock. With the issue out of the way, the market has levelled off on a 6 per cent long-dated yield basis.

\* \* \* \*

STOCK-market speculators are invariably in two minds on the question of having rumours confirmed or denied. Lack of any statement one way or the other gives the rumour-mongers more scope. This week's announcement that talks were going on between the United Drapery Stores and Montague Burton groups both confirmed rumours and also gave scope for speculation. However, on Wednesday it was announced that talks had ended without any agreement, which shows just how difficult this business of reporting negotiations at an early stage can be.

\* \* \* \*

WITHOUT doubt 1963 was the worst insurance underwriting year for a very long time. The Royal Insurance Group, for example, had to report an overall underwriting loss for the first time for more than fifty years.

The Eagle Star group reports losses of £970,000 on fire account and £1½ million on accident account in 1963. Most insurance company chairmen, however, are able to point to better underwriting experience this year.

Increased premiums brought into effect last autumn have helped, but in home business the main influence is that in the first three months of this year the insurance companies did not have to deal with the flood of claims which the 1963 freeze-up brought.

## RATES AND PRICES

Closing prices, Wednesday, May 6th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.80	Frankfurt	11.12½
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 1/8	Milan	1749½
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.11	Oslo	20.00½
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.37½	Paris	13.72
				Copenhagen	19.32½	Zürich	12.08½
Treasury Bills				Gilt edged			
Feb. 28	£4 6s 1.66d%	April 3	£4 6s 0.12d%	Consols 4%	64½	Funding 3% 59-69	90 1/8
March 6	£4 6s 0.42d%	April 10	£4 6s 0.25d%	Consols 2½%	41½	Savings 3% 60-70	87½
March 13	£4 5s 11.85d%	April 17	£4 6s 0.41d%	Conversion 5% 1972	104 1/8	Savings 3% 65-75	79½
March 20	£4 5s 11.94d%	April 24	£4 6s 0.47d%	Conversion 5½% 1974	100½	Savings 2½% 64-67	93 3/8
March 26	£4 6s 0.41d%	May 1	£4 5s 11.91d%	Conversion 5% 1971	99½	Treas'y 5½% 2058-12	91½
				Conversion 3½% 1969	92 3/8	Treasury 5% 86-89	87½
				Conversion 3½%	56½	Treasury 3½% 77-80	77½
				Funding 5½% 82-84	97	Treasury 3½% 79-81	76½
				Funding 4% 60-90	92½	Treasury 2½%	41½
				Funding 3½% 99-04	64½	Victory 4%	96½
				Funding 3% 66-68	91½	War Loan 3½%	56½
Money Rates							
Day to day	3½-4½%	Bank Bills					
7 days	3½-4½%	2 months	4½-4 7/8%				
Fine Trade Bills		3 months	4½-4 7/8%				
3 months	5½-6%	4 months	4½-4 7/8%				
4 months	5½-6%	6 months	4½-4 7/8%				
6 months	6-7%						

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN IRELAND

## SEVENTY-SIXTH ANNUAL MEETING

The seventy-sixth annual meeting of The Institute of Chartered Accountants in Ireland was held in the Shelbourne Hotel, St Stephens Green, Dublin, on Saturday, May 2nd. The President, Mr R. P. F. Olden, F.C.A., was in the chair and there were ninety-one members present.

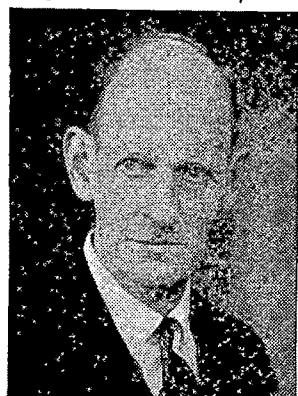
### PRESIDENT'S ADDRESS

In the course of his address Mr Olden said:

You will have observed from the annual report that the Council met on nine occasions during the year

1963 – one such meeting being held for the first time on record in the City of Cork as a compliment to me, a gesture which I sincerely appreciated. Much of the detailed work of the Institute, however, is carried out by the various standing committees, which met on thirty-seven occasions during the year.

Today, I want to mention only one committee by name, the Charter and Bye-laws Amendment Committee, which has been set up to



Mr R. P. F. Olden

examine and to make recommendations on the alterations which will be required in the Royal Charter and bye-laws to give effect to the Institute's participation in the joint management accounting services schemes, of which you were advised earlier in the year; to the proposed alteration in the conditions for the award of Institute Fellowship; to proposals regarding Council service which were referred to in the presidential address last year; and to any other matters which the Council may recommend with the object of enabling the Institute to function more efficiently in the changing circumstances of the world today. You may be interested to know that among the other matters at present under consideration by this Committee is the removal of the existing restrictions in the Charter on the place and date of the annual general meeting.

### Post-qualifying Education

One of the principal subjects to be considered by this Committee is the joint management accounting services schemes in which – subject to the approval of members – the Institute will participate with leading accountancy bodies in Great Britain.

Describing the proposals as 'a major step in the recognition of the growing importance of and emphasis on management uses of accounting', the American

*Journal of Accountancy* speaks of the obvious need for post-qualification education and training after the basic membership degree has been obtained and suggests that much of this advanced work is likely to be in specialized fields.

Your Council believes that the two schemes which it proposes to recommend for approval will provide an incentive to members, both in industry and commerce and in public practice, to study the techniques of management accounting and to develop the services which they can provide for their employers and for their clients and which are increasingly demanded by business management.

### Institute Fellowship

The Charter and Bye-laws Amendment Committee will also be dealing with the proposals for altering the regulations governing fellowship of the Institute and I think it might be appropriate for me to say a few words on this important subject, to which much time and thought has been devoted by the Council and some of its committees.

When seventy-five years ago the petitioners to the Royal Charter restricted future admission to fellowship to members who had completed five years' service in public practice, they presumably did not envisage the position which obtains today when some 60 per cent of the Institute's members hold full-time appointments in industry and commerce. The continuing growth in the proportion of non-practising members and the ever-widening fields of activity of the chartered accountant make it desirable that fellowship should be available to all members: this forms an essential part of the new proposals.

In considering the most suitable basis for the award of fellowship, your Council naturally gave careful thought to the decisions taken some years ago on this subject by The Institute of Chartered Accountants in England and Wales which introduced automatic fellowship for all members after a fixed qualifying period. While agreeing in full with the idea of extending fellowship to embrace every category of member, your Council took the view that mere effluxion of time was an unsuitable basis on which to grant the highest grade of Institute membership. Having regard to the growing demand, especially from younger members, for some form of specialized post-qualification study, and to the desirability of providing members with an incentive to pursue their studies both in greater depth and in greater breadth than is possible within the confines of the examination syllabus, your Council has decided to recommend that eligibility for fellowship should in future be based on an examination, which may not be taken earlier than two years after admission to membership, in economics and in one other subject of a specialized nature, such as management accounting or taxation. Special transitional provisions for existing members have been incorporated in the proposals.

An outline of the proposals was circulated to

members in February of this year with a brief informal questionnaire in order to obtain a general expression of views. The replies received clearly indicate that the proposals are welcomed by, and meet with the approval of, the vast majority of the substantial number of members who responded.

Arising from the replies submitted by members to the questionnaire, two doubts emerge which I would like to dispel. There appears to be some uncertainty among former incorporated accountants whether their Society membership would count as service under the new proposals. Reference to the existing bye-laws, however, will show that membership of the former Society is recognized for fellowship purposes and such members may rest assured that this position will be maintained. The second query concerns the suggestion that the Council should have power to award fellowship *honoris causa*. Though not specifically stated in the letter sent to members, the intention is that such awards, which would be made only for outstanding services, would be restricted to members of the Institute.

A number of members took the opportunity to suggest that the Institute might consider the substitution for the two existing membership categories of fellow and associate, of a single class of membership such as exists in The Institute of Chartered Accountants of Scotland. This suggestion, which has obvious attractions, is not a new one as far as your Council is concerned; but the Council regards the adoption of one class of membership as practicable and desirable only if it could be linked with the designatory letters 'C.A.' without further qualification but, unfortunately, this course is not open to us.

It is gratifying to have received so many replies to the fellowship circular indicating the interest of members in proposals which, your Council feels, are aimed not only at maintaining, but also at raising even higher the standards by which the Institute and its members are judged. The various comments made will be helpful to the Council in settling the resolutions to be submitted to members in due course. It was of particular interest to observe that strong support was given to the proposals by members of our Institute engaged in various spheres of the profession in England; and I had an opportunity of confirming this favourable reaction at first hand on the occasion of a subsequent meeting with some of the members of the Association of Irish Chartered Accountants in London.

As you are aware, any change in the regulations governing fellowship as first adopted at a special general meeting of the Institute, can be implemented only by alteration of the Royal Charter and amendments in the bye-laws, each requiring the sanction of both the Privy Council of Northern Ireland and the Government of the Republic of Ireland.

### Legislation

The comprehensive programme of legislative reform being undertaken in the Republic made significant progress during the year with the enactment of the Registration of Business Names Act, 1963, the Stock Transfer Act and, by far the most important from the point of view of the business community, the Companies Act, 1963.

Broadly similar to the 1960 Act in Northern Ireland and to the British Companies Act of 1948, the new Act came into force on April 1st this year, displacing com-

pany legislation which, with only minor amendments, had been in operation in Southern Ireland for fifty-six years. One of its most important effects is the greater protection which will be given to investors through the additional information now required to be disclosed in company accounts and reports.

Public acknowledgement has been made of the Government's appreciation of the advice given by the Institute in the course of the lengthy discussions which preceded the passing of this Act; and it is a matter of particular satisfaction to us that so many of the recommendations made by the Institute were, in fact, accepted for incorporation in the Act.

Among these recommendations was one designed to remove certain restrictions included in the Bill on the appointment of auditors in the case of private, as distinct from public, companies. As members will be aware, the Bill originally provided that any officer or servant or anyone in partnership with, or in the employment of, an officer or servant of the company may not act as auditor to the company. While in general agreement with this provision as regards public companies, your Council took the view that it might well cause hardship in the case of many private companies whose shareholders desired their auditors to look after the companies' secretarial work. The subsequent decision of the Minister for Industry and Commerce to exempt private companies from these restrictions was widely welcomed.

A significant feature of the new Act is the provision that only a 'qualified person' may be appointed as auditor to a company. The Institute has, of course, formally been recognized as a body whose members are so qualified.

A further important contribution to law reform in the Republic will, it is understood, be published shortly in the shape of a Bill dealing fully with wills and the distribution of estates on death. The absence of Irish textbooks on this subject has long been a source of difficulty for our students; and some time ago your Council had invited a member of the Institute to undertake the preparation of a textbook on executorship law and accounts covering law and practice in both parts of the country. In view of the forthcoming legislation, however, work on this book has had to be postponed.

### Public Relations

In a recent editorial comment on the termination of the strike of medical doctors in Belgium, one of our national newspapers said that 'almost every profession has its unfavourable image' and it gave as one of the principal reasons inadequate public relations work on the part of the professions themselves.

While this is a criticism which may not be entirely true of the accountancy profession, the work of the profession and the services which its members can provide is less widely known than it should be to the business community.

Your Council is naturally anxious to correct this position as far as lies within its power. As you know, this has led to the appointment of a Public Relations Committee and, more recently, on the recommendation of that committee, of a professional public relations consultant to advise the Council and to assist in implementing Council policy. That policy is at present under consideration and the Council is studying further recommendations submitted by the committee on

various aspects of this problem – for problem it is – and it would be unwise to expect any sudden or spectacular solution to it.

It is, perhaps, natural for some members to feel that 'education of the public' is largely a matter for the Council. While the Institute can, and undoubtedly will, take more positive action than hitherto in this important field, I think it is true to say that people tend to judge the Institute more by the quality of the services provided by individual members than by anything which may be said or written about the profession or its activities.

It is, therefore, important to realize that public relations is the individual concern and responsibility of each one of us. By our conduct, integrity and attitude to work and to our fellow men, no less than by our ability and proficiency, we can do much to create a favourable image of the profession.

On the subject of publicity, I feel that members should perhaps be encouraged to identify themselves, where appropriate, with the profession by the more frequent use of the description 'chartered accountant' or the designatory letters 'F.C.A.' or 'A.C.A.' Possibly because of the strict interpretation placed by the Council on 'advertising', members may have felt that on many occasions they could not properly use their professional designation or indicate membership of the Institute, although identification with the profession seems to me to be desirable, particularly in Press reports of the appointment of members to the boards of companies or public organizations or to other positions of importance in the community.

### Professional Charges

Having regard to the constantly rising costs of carrying on an accountancy practice and to the importance of ensuring that the level of earnings of practising members is not greatly out of line with that of other members of similar standing, your Council recently increased the scale of professional charges recommended for auditing, accountancy and taxation work, and copies of the new scale were issued to all members last month.

It should, however, be emphasized in connection with this new scale, that the figures are based on the assumption that the practitioner satisfies himself that he is offering to his clients services which conform to the best professional practice. While service rather than reward may be regarded as the philosophy of our profession as well as of professions in general, practitioners cannot be expected to provide the requisite standard of service to their clients, or attract first-class ability to professional offices, without the appropriate economic reward to which they are entitled.

### History of the Profession in Ireland

Publication of *A History of Accountants in Ireland* – embracing, of course, the first seventy-five years of the Institute – written at the request of the Council by one of its members, Mr Howard W. Robinson, has been delayed by unforeseen circumstances, but it is hoped that the book will be available before the end of June. The gratitude of all our members is due in full measure to Mr Robinson for the time, research and literary ability he has lavished on this labour of love. The Institute is pleased to accept the role of publisher in recognition of the distinguished service which Mr Robinson has rendered to members, past, present and

future, in this work. All history is naturally coloured by the personality of the historian, and I am sure you will find that this book enshrines not only the factual story of the Institute and the profession in Ireland but also the entertaining and personal interpretation of these facts by its author.

### The Institute's Accounts

The accounts for the year ended December 31st, 1963, show a small surplus. This might well be regarded as a satisfactory result in a year in which there has been a slight reduction in income and relatively heavy expenditure of an exceptional nature.

As you will observe, this is mainly due to the surplus on examinations – compared with a substantial deficit in the preceding year – arising from the introduction of an increased scale of examination fees. While this scale was adopted with the object of making the Institute's examinations self-supporting, constantly rising costs make it unlikely that a surplus of any significance will arise in future years. Other factors contributing to the overall surplus are taxation, to which reference is made in the Council report, and in the charge for depreciation on furniture and fittings which this year has been placed on a percentage basis where formerly 'round-figure' amounts were charged.

The balance sheet requires no comment beyond a reference to the note thereon. This refers to commitments entered into in respect of architects' fees for plans for the proposed building extension at Fitzwilliam Place.

Although a deficit has been avoided in 1963, the Council is satisfied that the Institute will be faced with substantial deficits in the present and immediately succeeding years unless steps are taken to augment income. Accordingly, a resolution to increase the scale of annual subscriptions with effect from 1965 will be submitted later to this meeting.

### Conclusion

Before concluding my address I would like to mention briefly an event which occurred in the early days of my year of office. I refer, of course, to the celebration in June 1963 of the seventy-fifth anniversary of the granting of the Institute's Royal Charter, an occasion in which, to judge from comments received from our guests both from overseas and at home and also from some of our own members, we may justifiably, if modestly, take some pride. But my purpose in recalling the anniversary celebrations is to leave with you the following tribute which An Taoiseach, Mr Lemass, included in his speech at the opening meeting: 'We know that this Institute, by its system of training, education and discipline – and also by the standards set by its members – will continue to ensure the existence of a body of persons equipped with the qualifications, the competence and the integrity to carry on the important duties devolving on the chartered accountant.' This is indeed the target at all times borne in mind by your Council.

To conclude my address I would like to acknowledge the good work being carried out by the staff of the Institute and to place on record that the loyalty, efficiency and attention to detail shown by Mr Orr has helped me very considerably to fulfil my duties as President to the best of my ability during the year just concluding.

I am also deeply conscious of the sympathetic co-

operation and support of my fellow members on the Council for which I am indeed grateful.

Gentlemen, I now formally propose the adoption of the Council's report and the statement of accounts and ask the Vice-President, Mr Love, to second the proposal.

The Vice-President, Mr John Love, having seconded the motion, a lively discussion took place on the proposed amendment of the Institute's regulations governing the award fellowship and on other matters. Following the Chairman's reply to the various points raised, the resolution for adoption of the report and accounts was put to the meeting and was carried unanimously.

## ELECTIONS

### Elections to Council

No other nominations having been received, the following six retiring members were declared re-elected on the proposal of the Chairman: Messrs John Bacon (Belfast); M. M. Connor (Dublin); A. E. Dawson (Dublin); James Graham (Belfast); N. V. Hogan (Dublin); R. J. Neely (Belfast).

Mr T. D. Lorimer, F.C.A., and Mr D. H. Templeton, F.C.A., both of Belfast, who had been co-opted to membership of the Council during the year, were declared re-elected under the provisions of bye-law 9.

### Election of President and Vice-President

As noted elsewhere in this issue, Mr John Love, F.C.A., Dublin, was unanimously elected President for the ensuing year on the proposal of the Chairman seconded by Mr Frank Cleland. Mr Love thereupon took the chair and thanked the members for the high honour they had conferred upon him.

Mr H. W. Robinson, B.A.(MOD.), B.COMM., LL.B., F.C.A., Dublin, was unanimously elected Vice-President on the proposal of the Chairman seconded by Mr A. S. Boyd.

### Officers

On the proposal of Mr N. G. White seconded by Mr R. R. Caldwell, Mr Thomas Desmond Lorimer, F.C.A.,

Belfast, was unanimously elected Joint Secretary and Treasurer.

The auditors, Mr Harry Hollingsworth Forsyth, F.C.A., Dublin, and Mr Sydney H. Laughlin, F.C.A., Belfast, were unanimously re-appointed on the proposal of Mr D. W. Pratt.

### Council Resolution

A resolution proposed by the Council for revision of the scale of annual subscriptions in Bye-law 38 with effect from January 1st, 1965, was submitted to the meeting and was adopted with only two members dissenting, an amendment to leave unchanged the present rate of subscription payable by non-practising associates having been defeated by an overwhelming majority.

### VOTE OF THANKS

At the conclusion of the meeting a vote of thanks to the outgoing President was proposed by Mr R. E. McClure who paid tribute to Mr Olden's services to the Institute during his term of office. The vote was carried with acclamation.

## BENEVOLENT ASSOCIATION

The thirty-fifth annual meeting of The Irish Chartered Accountants' Benevolent Association was held in the Shelbourne Hotel, Dublin, on May 2nd, prior to the annual meeting of the Institute.

The President, Mr R. P. F. Olden, F.C.A., was in the Chair and there were thirty-three members present.

On the proposal of the Chairman, seconded by Mr D. H. Montgomery, the report of the Board of Management and the statement of accounts for the year ended December 31st, 1963, were unanimously adopted.

The honorary auditors, Mr Harry Hollingsworth Forsyth and Mr Sydney Harold Laughlin were unanimously re-appointed on the proposal of Mr A. S. Boyd seconded by Mr D. W. Pratt.

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

### Soul v. Caillebotte

In the High Court of Justice (Chancery Division) -  
March 23rd, 1964  
(Before Mr Justice Cross)

*Income tax - Interest - Tax not deducted - Whether appellant received interest as agent - Whether interest paid allowable - Income Tax Act, 1952, section 131 (Case III).*

The appellant appealed against assessments made under Case III of Schedule D for the years 1956-57, 1957-58, 1958-59, in respect of interest alleged to

have been paid to him, and from which tax had not been deducted. During the material years the appellant was engaged in a large number of business transactions, but he did not produce a complete account of these transactions at the appeal to the Special Commissioners. The Special Commissioners reconstructed the transactions and their financial effect from the appellant's verbal evidence and from such records as existed. During the material period the appellant was continually lending sums of money to the payer of the interest in question. The appellant was not carrying on business as a money-lender. By April 1959, the appellant was owed £19,025 out of a total of £28,930 that he had lent. The borrower paid the appellant £18,782 over the period, and the Special Commissioners calculated the total amount of interest paid to the appellant on the loans in question by deducting the excess of £28,930 over the £19,025, namely, £9,905 from the £18,782, and thus arriving at the amount of £8,877. The Special Commissioners spread the last-mentioned amount over the various

years, and attributed £2,678 to 1956-57 and £1,356 to 1957-58 and £877 to 1958-59.

The appellant contended (1) that he was entitled to deduct certain interest paid by him, (2) that he had received the interest assessed as an agent, (3) that by a transaction on August 13th, 1953, after the appeal to the Special Commissioners had been heard he had made an arrangement with the payer of the interest by which the appellant accepted £15,000 in discharge of the whole of the payer's outstanding indebtedness, namely, £19,025, (4) that he had expected the payer of the interest to be called to give evidence on behalf of the respondents at the appeal before the Special Commissioners. There was a conflict of evidence as to whether the appellant had asked for an adjournment so that he might call the payer of the interest. The first two questions were decided against the appellant by the Special Commissioners.

*Held:* (1) the transaction on August 13th, 1963, had no connection with assessments under appeal, (2) the appellant had not established that he had asked for the adjournment mentioned, (3) the Special Commissioners' decision on the two points decided by them could not be disturbed.

#### **Soul v. C.I.R.**

In the High Court of Justice (Chancery Division) –  
March 23rd, 1964  
(Before Mr Justice CROSS)

*Surtax – Schedule A – Income – Property registered in other names – Whether appellant beneficial owner – Appeals from Commissioners pending – Whether income nevertheless includible.*

The appellant appealed to various bodies of General Commissioners against Schedule A assessments in respect of fifteen properties, and the appeals were all decided against him. The appellant gave notice of appeal to the High Court in all fifteen cases; and five of these appeals were heard and decided on March 19th, 1963, when all five were dismissed. A further appeal to the Court of Appeal in these five cases was dismissed on November 18th, 1963, and leave to appeal to the House of Lords was refused. The appellant petitioned the House for leave to appeal, but the petition was rejected. The other ten Schedule A assessments though determined against the appellant by the General Commissioners, had not been heard in the High Court.

The appellant contended in the present case that the amounts of the ten Schedule A assessments should not have been included in his computation of total income for surtax purposes; that the judgment in

the Chancery Division in the five cases was wrong, in that a claim for Crown privilege had been wrongly accepted; and that another judgment in the Chancery Division in favour of the registered proprietor of one of the properties in question had not been applied. The Special Commissioners decided in favour of the respondents.

*Held:* the Special Commissioners' decision was correct.

#### **English Electric Company Limited v. Musker**

In the House of Lords – April 8th, 1964  
(Before Lord REID, Viscount RADCLIFFE, Lord GUEST, Lord UPJOHN and Lord DONOVAN)

*Income tax – Engineering manufacturer – Supplying of 'know-how' under agreement with Government department – Whether sums received were trade receipts – Income Tax Act, 1952, Schedule D, Case 1.*

The appellant company, an engineering manufacturer, made land turbines and aircraft. In 1949 the Admiralty wished to have marine turbines made by other manufacturers to a prototype prepared by the appellant; and the appellant entered into an agreement with the Admiralty to provide manufacturing technique, engineering data and other information to the other concerns for that purpose and in consideration of lump-sum payments. In 1950, at the request of the Ministry of Supply, the appellant made a similar agreement with the Commonwealth of Australia in order to enable a type of aircraft to be manufactured there. The consideration in this agreement was expressed as a number of annual sums for the use of designs, drawings and information, and one lump sum for the supply of manufacturing technique, engineering data and other information. In 1951 the appellant, again at the request of the Ministry of Supply, made a similar agreement with a United States concern.

The Case I assessments on the appellant for 1951-52 and 1952-53 included the lump sums received under the three agreements. The company appealed against the inclusion of those sums, and the appeal was heard by the Special Commissioners after the decision of the House of Lords in *Evans Medical Supplies Ltd v. Moriarty*, but before the *Commissioners of Inland Revenue v. Rolls-Royce Ltd* was heard in the Courts. The Special Commissioners decided in favour of the respondent.

*Held:* The sums in question were trade receipts of the appellant, and were properly included in the assessments under appeal.

## **JOHN FOORD & COMPANY**

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# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS BREBNER, ALLEN & TRAPP, Chartered Accountants, of 107 Baker Street, London W1, and Harlow, Essex, announce that Mr PETER ARNOLD JAY, A.C.A., who joined the firm in 1953, has been admitted into partnership as from May 1st, 1964. The name of the firm remains unchanged.

MESSRS W. F. BRIDGWATER & SCURRAH, Chartered Accountants, of 3 Cherry Street, Birmingham 2, announce that they have amalgamated their practice with Messrs WITHNALL, CARLYLE & Co, Chartered Accountants, of 20a Temple Street, Birmingham 2.

MESSRS FULLER, WISE, FISHER & Co, Chartered Accountants, of 55-61 Moorgate, London EC2, and MESSRS C. NEVILLE & Co, Chartered Accountants, of Standard House, 52-54 Gray's Inn Road, High Holborn, London WC2, announce that they have entered into an association as from May 1st, 1964. Mr L. J. PRATLEY, F.C.A., and Mr J. SIMS, F.C.A., of MESSRS FULLER, WISE, FISHER & Co, have been admitted into partnership with MESSRS C. NEVILLE & Co and Mr C. NEVILLE, F.C.A., and Mr D. J. NEVILLE, B.SC.(ECON.), A.C.A., have been admitted into partnership with MESSRS FULLER, WISE, FISHER & Co.

MESSRS LITHGOW NELSON & Co, Chartered Accountants, of London, Liverpool & Southport, announce that Mr D. H. HOBLEY, F.C.A., who has been associated with the Southport office of the firm since 1948, has been admitted into partnership.

MESSRS HARRY L. PRICE & Co, Chartered Accountants, of 47 Mosley Street, Manchester 2, announce that as from April 1st, 1964, they have taken over the practice of F. WALMSLEY & Co, Manchester, previously carried on by Mr RUPERT A. ECCLESTON, F.C.A., whose services have been retained as consultant.

MESSRS SPAIN BROTHERS, JUKES & Co, Chartered Accountants, of 2 Sussex Chambers, 8, 9 and 10 Havelock Road, Hastings, Sussex, announce that Mr PATRICK STAPLES IRWIN, A.C.A., who has been associated with the firm for a number of years has been admitted into the partnership from May 1st, 1964.

MESSRS SPAIN BROTHERS, NEWMAN & Co, Chartered Accountants, of 29-37 Brighton Road, Sutton, Surrey, announce that Mr DAVID BEVAN, A.C.A., who has been associated with the firm for a number of years has been admitted into the partnership from May 1st, 1964.

MESSRS SPICER & PEGLER, Chartered Accountants, announce that Mr C. P. DAVID, A.C.A., has been admitted into partnership.

MESSRS WITHNALL, CARLYLE & Co, Chartered Accountants, of 20a Temple Street, Birmingham 2, announce that they have amalgamated their practice with Messrs W. F. BRIDGWATER & SCURRAH, Chartered Accountants, of 3 Cherry Street, Birmingham 2.

## Appointments

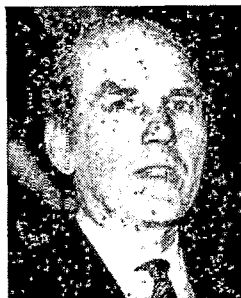
Mr John Bennett Phillips, F.C.A., has been appointed secretary of Boulton Scaffolding Ltd.

Mr Harold E. Barrenger, F.C.A., has been appointed a director of Idris Hydraulic Tin Ltd.

## OBITUARY

### Mr Kenneth Mackinnon, M.B.E., T.D., Q.C.

It is with deep regret that we record the sudden death on April 30th of Mr Kenneth Wulsten Mackinnon, M.B.E., T.D., Q.C., Chairman of the Panel of Judges for *The Accountant* Annual Awards for company reports and accounts since 1960.



Mr Mackinnon, who was aged 58, was educated at Geelong Grammar School, Australia, and New College, Oxford. He was called to the Bar by the Middle Temple in 1929 and following ten years' practice, he served during the Second World War with the Royal Artillery (T.A.) attaining the rank of Lieut-Col. After the war he returned to the Bar, becoming a Bencher of the Middle Temple in 1953 and took silk in 1958.

A member of the executive committee of the General Council of the Bar from 1951-55, Mr Mackinnon also served on the Jenkins Committee on Company Law which reported in 1962, and was one of a minority of five members of the committee opposed to the retention of accounting exemptions for banks and discount houses.

As Chairman of the Panel of Judges for *The Accountant* Annual Awards, Mr Mackinnon applied a profound knowledge of company law – and a keen interest in its reform – to the deliberations of the Panel. He was a wise chairman with a great capacity for friendship, and he combined this with an understanding and sympathy for the views of those who served under him.

He will be very sadly missed.

### Sir William Cash, M.A., F.C.A.

It is with regret that we record the death last Monday at the age of 72, of Sir William Cash, M.A., F.C.A., Chairman of The Abbey National Building Society Ltd.

Educated at Haileybury and Balliol College, Oxford, Sir William was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1917 and later succeeded his father William Cash, who was President of the Institute from 1921-23, as senior partner in Cash, Stone & Co, now Harmood-Banner, Cash, Stone & Mounsey. He retired from the partnership in 1961, but continued to act for the firm in a consultative capacity.

Apart from his extensive interests within the profession, Sir William took an active part in the affairs of the Abbey National Building Society with whom his family had been linked for over a century. He was elected a director of the National Building Society (as it then was) in 1938, after having served as auditor. When the National and Abbey Road societies were amalgamated in 1944 to form the Abbey National, Sir William remained on the board becoming chairman of the finance committee in 1949. It was only in July last



year that he succeeded the late Sir Harold Bellman as chairman of the Society.

He was a director of a number of public companies, among them Neuchatel Asphalte Co Ltd, of which he was chairman, and of several water undertakings. Sir William also included in his interests the affairs of local government, serving as a member of Godstone Rural Council from 1916 to 1919, and of Essex County Council from 1925 to 1928.

Keenly interested in education, he was chairman of the Girls' Public Day School Trust to which he devoted a considerable amount of his time and energy over very many years. In 1958 he was knighted for his services to the Trust.

Sir William served on two Royal Commissions on the Civil Service and was a member of the Masterton Committee on the Political Activities of Civil Servants in 1948.

All his work was dominated by his deeply religious outlook and he took a great interest in the church. He was vice-chairman and a trustee of the Industrial Christian Fellowship and an active diocesan lay reader.

### IN PARLIAMENT

#### Companies: Research and Development

Dr A. THOMPSON asked the Chancellor of the Exchequer whether he will introduce legislation to give additional tax incentives to companies undertaking research and development in areas where new growth is needed, as recommended in the Scottish Council for Development and Industry Report issued this week.

Mr MAUDLING: I shall of course consider carefully what the Council has said on this matter.

*Hansard*, May 1st, 1964. Written Answers. Col. 104.

#### Barristers' Fees: Taxation

Mr A. LEWIS asked the Chancellor of the Exchequer whether he will take action to end the present practice whereby lawyers are able to claim the last year of their earnings tax-free or to extend this privilege to all taxpayers.

Mr GREEN: The treatment of barristers' fees for tax purposes is in accordance with the existing law and my right hon. Friend's Budget proposals did not include any proposal to amend the law in this matter.

*Hansard*, April 28th, 1964. Written Answers. Col. 33.

### NEW CONTROLLER OF DEATH DUTIES

The Board of Inland Revenue have announced the appointment of Mr E. W. C. Lewis to be Controller of Death Duties with effect from June 1st, 1964, in succession to Mr H. T. Veall, C.B., who is retiring from the public service. Mr E. J. Salter has been appointed a Deputy-Controller of Death Duties in succession to Mr Lewis.

### RETAILERS' TURNOVER FIGURES

A total of 50,000 'independent' retailers are being asked by the Board of Trade to provide regular monthly figures of their turnover.

The purpose is to improve the Board's monthly statistics of changes in retail turnover and hire-purchase business which are based on figures already provided by a number of retailers. Those approached will be a representative selection of retail shops in different kinds of business, of different sizes, and operating in different parts of the country.

Most of the traders approached will be asked to give just a single figure each month of their total turnover, but those operating in some kinds of business will be asked also for a separate figure of their sales on hire-purchase or other instalment credit terms and for a figure of debt outstanding. Many multiple traders, department stores and co-operative societies have been included in the monthly scheme for many years and will continue to send their figures to the Board of Trade.

The monthly turnover inquiries are conducted on a voluntary basis and the reliability of the estimates made from them depends very largely upon the willingness of traders to co-operate. The Board of Trade hopes that retailers, whether running large shops or small shops, will agree to help by providing their figures.

### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

#### Introductory Course for Newly-articled Clerks

The Chartered Accountant Students' Society of London is holding the second of its intensive introductory courses for newly-articled clerks under the auspices of the Council of the Institute and the London and District Society of Chartered Accountants during the fortnight June 15th to 26th.

The courses are designed to provide the articled clerk with the basic principles of the subjects relating to his work and to enable him not only to recognize and learn more from his practical experience from the beginning of his training, but also to become a more useful member of his office team at an earlier stage. This aim is concerned with practical experience in the office rather than textbook and examination knowledge; to get the best out of the course, therefore, the student should take it, if possible, before starting articles or within the first few weeks. The syllabus covers in an intensive form a review of the chartered accountant's profession, business enterprise, accountancy, book-keeping and auditing.

Applications to attend the course should be made not later than May 15th, to the Secretary, Mr R. J. Carter, B.COM., F.C.A., Finsbury Circus House, Blomfield Street, London EC2.

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**BIRMINGHAM AND DISTRICT SOCIETY OF  
CHARTERED ACCOUNTANTS****Coventry Area Branch**

At the annual general meeting of the Coventry Area Branch of the Birmingham and District Society of Chartered Accountants held on April 27th, the following officers and committee were elected for the year 1964-65:

*Chairman:* Mr M. J. Kirby, F.C.A.

*Vice-Chairman:* Mr T. D. Kelly, F.C.A.

*Hon. Secretary:* Mr E. Smith, F.C.A., 45 Warwick Road, Coventry.

*Hon. Treasurer:* Mr J. L. M. Graham, F.C.A.

*Hon. Librarian:* Mr R. G. Binks, A.C.A.

*Committee:* Messrs B. Gillitt, A.C.A., H. D. Harris, F.C.A., A. K. Meggitt, F.C.A., F. H. Parkinson, F.C.A., G. F. B. Peirson, F.C.A., and K. Sankey, F.C.A.

**THE INSTITUTE OF INTERNAL AUDITORS****London Chapter**

The next meeting of the London Chapter of The Institute of Internal Auditors will be held on Wednesday next, at 12.30 p.m. at the Kingsley Hotel, Bloomsbury Way, London WC1, when Mr S. Swallow, of the Central Electricity Generating Board, will speak on 'Some practical aspects of cost reduction in purchasing'. Further information regarding the activities of the Chapter may be obtained from the secretary, Mr E. B. Allibone, The Bowater Paper Corporation Ltd, Bowater House, Knightsbridge, London SW1.

**Birmingham Chapter**

The next meeting of the Birmingham Chapter of The Institute of Internal Auditors will be held on Thursday next, at the Chartered Auctioneers' and Estate Agents' Institute, Regent House, St Philip's Place, Colmore Row, Birmingham, commencing at 6.30 p.m., when a talk on 'Computers and the internal auditor' will be given by Mr S. Cuttall, a Chapter member and the divisional chief internal auditor of the National Coal Board at Himley Hall, Dudley.

**WATER STATISTICS 1962-63**

In recent years the water industry has been going through a period of reorganization and a large number of the smaller undertakings have been amalgamated. There are still wide variations in the size of undertakings, however, as is shown in *Water Statistics 1962-63*, published recently by The Institute of Municipal Treasurers and Accountants.

This booklet which is the first of an annual series of statistics on the finances of water undertakings, gives

information about 162 undertakings serving just over two-thirds of the population of England and Wales. In total, those included in the survey supply 1,749 million gallons of water daily for industrial and domestic purposes involving capital investment at March 31st, 1963, of over £526 million.

Copies of the return are obtainable from The Institute of Municipal Treasurers and Accountants, 1 Buckingham Place, Westminster, London SW1, price 6s each.

**SEVENTY-FIVE YEARS AGO**

FROM *The Accountant* OF MAY 11TH, 1889

*From a leading article*

**THE INSTITUTE MEETING**

The General Meeting, reported in our last, was so quiet and uneventful that on the surface there appears to be nothing which calls for remark. The Annual Meeting, however, is always an opportune time for considering esoteric matters of the profession, and upon some of such points a few words may not be altogether out of place... Nearly one hundred persons passed the Preliminary Examination during the year, and, presumably, they either have been or will become in due course members of the profession. It is difficult, perhaps impossible, to judge with any certainty, whether the profession is being overcrowded or is in danger of being so. The materials for forming a fairly exact opinion on that point are not available. However that may be, it is very likely in the future, a great many chartered accountants will leave their profession to take private posts of trust, position, and influence. No business training in the world can equal that to be obtained in a high-class accountant's office, and the fact that this is so, is perfectly well recognised. We throw it out as an idea whether it would contribute to the strength and influence of the profession if, in some way, the Institute did not *entirely* sever connection, and *entirely* lose touch, with such men?... It goes very much against the grain to observe good men leave the profession, and utterly and *entirely* sever their connection with it. We have no foregone conclusion on the subject... But it should, we think, have careful and thoughtful attention, because we believe that as time goes on, its importance is likely to increase rather than diminish. We should try to strike the roots of our influence broadly and deeply, and the affiliation of able and influential secretaries, managers and others, would doubtless strengthen our position...

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# THE ACCOUNTANT

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## Finance Bill Debate

THE debate in the House of Commons on the second reading of the new Finance Bill which took place on May 7th, lasted some four hours. Three-quarters of an hour of this was taken up by the speech of Mr JOHN DIAMOND, F.C.A., who opened for the Opposition. The Labour shadow Chancellor did not speak. Indeed it seems that there were very few members there; at one stage notice was taken that less than forty members were present. A member congratulated Mr DIAMOND on his speech, and added that this was the first time he had made the opening Opposition speech on a major Bill.

The speech of the FINANCIAL SECRETARY TO THE TREASURY, who moved the second reading, contained some interesting information, particularly about clauses 16-18 and Schedule 7, which are aimed against a new form of avoidance. He said the basic device with which clause 16 is concerned is one in which a trader has new plant leased to him with the rent squeezed into the early years of the lease, so that over a short period the capital cost of the plant, plus interest and profit to the lessor, has been covered. The rent for the later years of the lease is nominal, so that after the early high rents have been paid the trader is in possession of the right to use the plant for the rest of the lease at much less than its true value. He can assign this lease for a premium which is not subject to tax and can lease back the asset for continuing use in his business. Alternatively, he may be able to acquire the asset from the original lessor and then sell it for a capital sum and lease it back.

The remedy proposed in clause 16 is to charge to tax any capital sums received by a trader in those circumstances up to the amount of any tax relief that he has had for the payments for use of the asset in his business. The limit of this charge is either the amount of the payments qualifying for tax relief or the capital sum received, whichever is the less. In effect, this is comparable with a balancing charge, withdrawing any capital allowances which prove to have been excessive when plant and machinery are sold.

Clause 17 applies to plant and machinery and other assets (other than land) owned by a trader (or professional person) which are sold or leased by him to another person and leased back for use in the business. In these circumstances the trader obtains a tax-free receipt for the sale of the asset or the granting of a lease. In the first few years of the lease-back he can pay an excessive rent under the sub-lease sufficient to repay the premium he has received, with interest. The payments made by him under the lease would ordinarily be deductible in computing the profits of the trade for tax purposes. As regards the recipient of these

payments, he will not effectively bear tax on them if he is a dealer in that kind of asset, because he can set against the payments the diminution in value of the lease, which forms part of his stock-in-trade. Once the initial period of excessive rents is over the process can begin again, with the trader receiving a further non-taxable premium or capital sum.

The FINANCIAL SECRETARY said that the remedy proposed in clause 17 is to limit the deduction which a trader can have for payments for leased assets used in his business, up to an amount which might reasonably be charged on a commercial basis as a uniform rent for the asset. The effect is that there will no longer be a tax profit in paying excessive and non-commercial rents over a short period leading up to the receipt of a tax-free capital sum. Mr GREEN then went on to explain clause 18. He said it dealt with land and applied not only to traders but to others deriving an income from land or using land in the production of taxable income. The cases covered are those in which land or an interest in land owned by a trader etc. is subsequently transferred to another person and leased back to the transferor for use in his trade etc. The clause applies to all cases in which payments of rent or corresponding payments under an agreement qualify for tax relief. It is thought that clause 18 should not affect what the FINANCIAL SECRETARY called 'normal lease-back transactions'. It is hoped that the clause should deal with devices such as that in which a trader owning his business premises leases them for a long term to a dealing concern for a premium which is not taxable. He then leases them back, paying in the first few years an excessive rent which, in effect, repays the premium plus interest and profit. This rent is normally deductible in computing the traders' profit for tax purposes. But although it is a trading receipt of the property dealer, little tax is payable because he can set off against it the fall in value of the lease, which is part of his stock-in-trade. After the end of the period during which the excessive rent is paid, the lease is of little value to the lessor and the trader is at this stage in a position to repeat the process.

Clause 18 limits the deduction for income tax purposes for payments of rent under a lease-back to the commercial rent of the property. This is defined as the rent which might be expected to be

paid under a lease negotiated in the open market. It is not expected to affect cases which are 'genuine'; in which uniform rents or increasing rents are paid. Mr GREEN was unable to answer questions about tax which had been lost by these devices, but he put the potential loss at hundreds of millions. Later the CHANCELLOR OF THE EXCHEQUER said the practice had only just been started.

Dealing with clause 19, which imposes tax on the profits of mutual trading where a body corporate is involved, Mr GREEN reviewed the history of the matter. He said that the Raeburn Committee in 1932 recommended that the tax immunity of mutual profits be discontinued. As a result, the Finance Act, 1933, brought co-operative societies into the net and also attempted, unsuccessfully, to establish the general proposition that if persons engaged in mutual trade through the medium of a corporation formed for the purpose, any trading surplus retained by the corporation should be taxed as profit. The decision to try again, thirty-one years later, was taken because of a recent House of Lords decision which gave publicity to the possibilities of avoidance of tax by means of the mutual principle. The Minister was presumably referring to the decision in *Brogan v. Stafford Coal and Iron Co Ltd* (42 A.T.C. 272), although he did not name it. He said that the liability of mutual life insurance companies was unlikely to be much increased. Their present basis of assessment, namely, on investment income less expenses, will probably continue. He announced, incidentally, that Case VIII would be altered so as to preserve the position as to apportionments on sales.

Mr DIAMOND, who followed Mr GREEN, complained that the complicated anti-avoidance provisions, directed against devices which turn income into capital, would be unnecessary if there was a straight provision to tax capital gains as well as income gains. As to the Budget in general, he complained that to concentrate the increased taxation into tobacco and liquor duties was discriminatory against the masses. He would have preferred an increase in the taxation of company profits. As far as personal tax was concerned, only people who paid under P.A.Y.E. paid their full whack. Mr DIAMOND also complained about the practice of building up reserves free of surtax and converting them into bonus shares which could be sold tax free.

# Self-checking Number Codes

## AN AID TO ACCURATE ACCOUNTING REPORTS

by T. W. McRAE, C.A.

THE science of accounting can be separated into five operations: cost identification; cost classification; data processing; cost reporting; and cost analysis. The value of each step depends upon the accuracy of the preceding step and so the whole edifice rests upon the proper identification and classification of cost. This rather obvious fact has received surprisingly little attention in accounting literature. Accounting textbooks tend to accept accurate cost analysis as axiomatic without explaining how or why it is done.

A sophisticated system of data classification depends upon a precise definition of those characteristics of the data which *might* be required for later analysis.

Now classification calls for some form of coding and detailed coding must generally be performed at the point where an event occurs. For example, a storeman might code a stock issue docket with a product number or an inspector code his reasons for rejecting a batch of components. The more precise the classification of data required, the more decentralized the recording of 'input' tends to become. Conversely, as data-processing machines develop in power, there are economic benefits to be derived from centralizing the data-processing function. Thus the gap widens between the recording of the 'input' to an E.D.P. installation and the processing of this input. This same reasoning explains why the coding of 'input' is being carried out more frequently by non-clerical labour and this latter point raises a problem, since the detailed classification of data made possible by decentralized recording tends to be cancelled out by accidental clerical errors committed by non-clerical staff, especially coding errors.

How can we reduce these coding errors? One answer is to use trained clerks to audit the accuracy of all codes received by the central agency before processing. This is a possible solution, but it is a slow and expensive one. There is a better solution.

We have already noted that the introduction of

powerful data-processing systems has encouraged centralization. Can we not use the power of these electronic machines to audit the accuracy of the input codes? Fortunately the answer to this question is 'Yes, we can - within limits'.

### Types of Coding Error

The situation, then, is that we have a centralized accounting system processed on a computer. A large number of input vouchers flow into this system. The data on these input vouchers consist of quantitative amounts with a code number attached to each amount identifying it. We wish to devise a control system which checks the accuracy of these code numbers.

There must, of course, be a coding dictionary which ought to be used by the coder. In fact, the coder will keep a good number of these codes 'in his head' and this is a major source of error. Let us suppose that a storeman is coding stock requisition slips, what sort of coding errors can he make?

It is useful to differentiate between three types of coding error: 'whole code errors', 'single digit errors' and 'transposition errors'. Examples of these are given below.

Correct code number	12345
Single digit error	12845
Transposition error	13245
Whole code error	68479

• indicates digit wrongly coded.

The reader will recognize that a 'whole code' error is an accidental mistake in classification, short of providing a complete audit of all coding by a clerk at the receiving end we cannot pick this type of error up. (It will eventually be picked up by a stores auditor or more likely by an irate customer.) However, this type of error is rather rare. By far the most common type of coding errors are clerical errors such as single digit or transposition errors. There is a method, called a self-checking coding system, which can pick up these two types of error, thereby reducing coding errors by over 90 per cent.

### Parity-checked Codes

The simplest form of self-checking code is that employed for picking up inaccurately punched paper tape. Let us assume that we are dealing with six-channel paper tape. Each character is coded as a permutation of up to six holes (i.e. we have  $2^6$  or 64 possible permutations). Suppose that the characters 7, 6, B and C are coded as follows:

Character	Punched Hole Configuration					
Channel	(1)	(2)	(3)	(4)	(5)	(6)
7	—	—	—	o	o	o
6	—	—	—	o	o	—
B	o	o	—	—	o	—
C	o	o	—	—	o	o

o represents a hole, — represents no hole.

Notice that if the punching mechanism should make a mistake and omit to punch one hole, say the right-hand hole of 7 or C, then 7 will be coded as 6 and C will be coded as B. If the paper tape is fed as input to some other machines at a later stage of processing, the intended 7 and C will be decoded 6 and B.

We can avoid this kind of error by adding an additional channel to the paper tape, transforming it into a seven-channel tape. A hole is punched into this additional channel if the SUM of the holes in the character is EVEN, no hole is punched if the sum is odd. Thus the cross-sum of the holes in each completed character must always be ODD. The code for 7, 6, B and C becomes

Character	Punched Hole Configuration						
Channel	(1)	(2)	(3)	(4)	(5)	(6)	(7)
7	—	—	—	o	o	o	—
6	—	—	—	o	o	—	o
B	o	o	—	—	o	—	—
C	o	o	—	—	o	o	o

Parity-check hole

An adding device is attached to any machine which processes this paper tape at a later stage. This device cross-sums the number of 'holes' in each character to check whether the total is ODD. If the total is even, a hole has been lost in processing, indicating an error. Notice that the error has been detected but not corrected.<sup>1</sup>

In the above example, 7 and C with one hole dropped would be detected immediately as erroneous codes, since the holes cross-sum to an EVEN number.

The previous section illustrates a simple ex-

ample, in the binary code, of a self-checking coding system. We will now examine the same principles applied to a decimal code.

The basic idea, as we have seen, is to add an additional digit, or digits, to the original code number in such a way that this additional digit checks the internal consistency of the original coding. If the storeman should write down 12745 when he intends to write down 12345, the additional digit, the self-checking digit that is, will pick up this error. But how do we decide what this self-checking digit should be? Let us take a simple example.

Suppose we wish to devise a self-checking code for picking up single digit errors, that is for picking up, say, 12845 when the clerk actually intended to write down 12345. We might adopt the following method for selecting the self-checking digit.

#### Method A

- (1) Add all of the numbers in the code number together, i.e.  $1+2+3+4+5=15$ .
- (2) Subtract the result from the next highest tens digit, i.e.  $20-15=5$ .
- (3) The remainder (5) is the required self-checking digit, which is added to right of the original code number.
- (4) Thus the new code number becomes 123455.

In future, any individual using this code number will write 123455 in place of 12345. If, by mistake, he should write 127455 the inaccurate digit 7 will be picked up — but how, the reader may ask, is this 'picking up' achieved?

### Electronic Accounting Machines

The error can be picked up either by a key-punch when the input document is being translated into a punched card, or by an electronic computer, by means of a 'sub-routine' in the computer programme. The most popular method of detecting self-checking coding errors is to fit a 'black box' to a key-punch which repeats the above arithmetic operation on each code number. The result of this operation is checked against the final self-checking digit and the punched card is released if it agrees. If it does not agree, i.e. if the code has been inaccurately transcribed, a hole is punched into the card in the junior column of the field containing the code number. This hole is used to select out invalid codes at a later stage in the processing.

Suppose that the black box were wired to carry out the above 'Method A' arithmetic operation on the code number (as the code was being punched into the card by the key-punch operator), the

<sup>1</sup>We could correct the character at the cost of an additional 'check character' after every seven characters.

key-punch would detect the 7 for 3 error as follows:

- (1)  $1+2+7+4+5=19$ .
- (2)  $20-19=1$ .
- (3)  $1 \neq 5$ .
- (4) Therefore this number is incorrectly coded.

### Transposition Errors

The above system picks up single digit errors, but it does *not* pick up transposition errors, i.e. 13245 for 12345, and since this is the most common type of clerical coding error we must devise a more sophisticated arithmetic operation for generating self-checking digits which will pick up this type of error.

To illustrate that Method A will not work for transposition errors let us apply Method A to the erroneously coded 132455.

- (1)  $1+3+2+4+5=15$ .
- (2)  $20-15=5$ .
- (3)  $5=5$  (the final self-check digit).
- (4) Therefore the code is correct, *which it is not!*

The flaw is that Method A gives the individual code numbers no *positional value*, thus transposition errors are not picked up.

A simple method for picking up single transpositions has been devised for the IBM 026 key-punch. This arithmetic operation 'weights' each second digit in the number by 2, thus giving them positional value for one transposition.

*Method B* ('Modulus 10')

- (1) Multiply the right-hand digit and each alternate digit to the left by 2, i.e.

$$\begin{array}{rcccc} & 1 & 2 & 3 & 4 & 5 \\ & \times 2 & & \times 2 & & \times 2 \\ \hline & =2 & & 7 & & 0 \end{array}$$

- (2) Add the products of this operation (i.e.  $2+7+0$ ) to the remaining numbers in the original code number, i.e.  $2+2+7+4+0=15$
- (3) Subtract the result of (2) from the next highest tens digit, i.e.  $20-15=5$ .
- (4) The remainder, i.e. 5, is the self-check digit to be added to the original code number.
- (5) Thus the new self-correcting code number becomes 123455.

The reader may like to verify for himself that a single transposition error such as 124355 will be picked up by using this algorithm.

The error is detected by the key-punch operator when punching the code number from the original document into a punched card. The key-punch is programmed to perform the above algorithm on all but the last digit of the code number and compare the 'remainder' for equality with the last digit. Any inequality is signalled by the key-punch.

### Double and Higher Transpositions

Method B picks up single digit errors and most, but not all, single transpositions; it does not pick up double transpositions, i.e. 14325 for 12345. We must devise an even more sophisticated method of 'weighting' to pick up this type of error.

*Method C* ('Modulus 11')

This method depends on using a wider variety of 'weights' to indicate position and the prime number 11 as the modulus for division. (We have used 10 up till now.)

- (1) Multiply the junior digit of the code number by 2, the tens digit by 3, the hundreds by 4 and so on. If there are more than 6 digits, cycle from 2 through 7 over each set of six digits.

1	2	3	4	5	6	7	8	Code
								Number
$\times 3$	$\times 2$	$\times 7$	$\times 6$	$\times 5$	$\times 4$	$\times 3$	$\times 2$	Multiply by

3 4 21 24 25 24 21 16 Products

- (2) Add the resulting products together  
 $3+4+21+24+25+24+21+16=138$ .
- (3) Divide the resulting sum by 11  
i.e.  $138 \div 11 = 12$  plus remainder of 6.
- (4) Subtract the remainder from 11  
i.e.  $11-6=5$ .
- (5)  $\therefore 5$  is the self-checking digit.
- (6) Thus the self-correcting code number becomes 123456785.

*Example*

Suppose the clerk should write down 125436785 by mistake:

- (1) Multiply through by 2 to 7 (repeating).
- (2) The resulting sum of the products is 142.
- (3)  $142 \div 11 = 12$  plus remainder of 10.
- (4)  $11-10=1$ .
- (5)  $1 \neq 5$  (the check digit). Therefore there is an error in the original code number.

### Limitations on Self-correcting Coding Systems

Self-checking coding systems, such as those described above, provide a useful weapon for reducing clerical coding errors, but like all control systems they are not infallible. They reduce but they do not eliminate error.

We noted above that 'whole code' errors, that is pure errors of classification, are not picked up by the system; also we cannot eliminate 'compensating' errors, for example a single digit error and a transposition error in the same code number might, by chance, cancel each other out by generating the 'correct' self-checking digit. Multiple digit errors, i.e. 17348 for 12345, might or might not be picked up. Method B will not pick up a 0 for 9 transposition error. However, the objective is to reduce not to eliminate error,

and Method C using modulus 11 should reduce the number of undetected clerical coding errors by over 90 per cent.

### Generating the Self-checking Digits

The calculation of self-checking digits is a once-for-all job. It can be done by using a desk-calculator, but it is best done by digital computer or punched-card calculator. The author's experience suggests that the calling in of the old code numbers and their reissue with one additional digit added does not raise the problems that one might expect. However, it does make life easier if one can incorporate the method into a new coding system right from the outset.

Self-checking code numbers *can* be incorporated into alpha-numeric codes, but the undetected error rate will be rather higher than with pure numeric codes.

Self-checking coding systems are currently used by banks, hire-purchase firms, mail-order houses and other organizations to whom correct input classification is important and who possess sophisticated electronic machines for data processing. I suggest that they deserve a wider application.

### Conclusion

The accuracy, and so the usefulness, of an accounting report depends upon the proper classification of data. The inevitable and increasing separation of data preparation from data processing underlines the need for self-checking codes. The adoption of self-checking codes is made possible by the existence of powerful data-processing machines at the receiving end of the data-processing cycle. These machines can be programmed to effect a significant reduction in the error rate in input code numbers.

Various systems have been evolved for picking up single digit and digit transposition errors, such errors account for over 90 per cent of clerical coding errors. Self-checking codes call for the addition of a single digit at the right-hand end of the existing code number, this digit checks the internal consistency of the remainder of the code number. Coding errors are picked up automatically by a key-punch or electronic computer as the code number is entered into the data-processing system.

Like all other control systems, self-checking codes are not infallible but they can make a significant contribution to the accuracy of data-processing reports.

## Incomes Policy – Mirage or Reality?

by JOHN HAYES

BRITAIN'S economic difficulties have manifested themselves in the 'stop-go' character of post-war policy. The immediate cause of the stop phase was, and is, the periodic balance of payments deficits, the net result of which has been a serious retardation of economic growth. The long-term objective of Government policy has been to increase the rate of growth, but this is impossible with a recurrent 'stop-go' cycle. Therefore, a major part of Government policy has involved attempts to remove the cause of these regular balance of payments deficits.

At first the cause was attributed to a demand-pull inflation which, the argument ran, increased the costs of British exports, making them less competitive in foreign markets and, in domestic markets, making home-produced goods less attractive than imported goods. After the report of the O.E.E.C. on *The Problems of Rising Prices* was published on May 30th, 1961, Government opinion began to be influenced by the effects of cost-push inflation. Demand-pull inflation could

be controlled through fiscal policies but cost-push inflation required income control before tax. In July 1961 the pay pause was introduced, an action which seemed to indicate the triumph of the cost-push school, but the pause was also accompanied by increased purchase tax, and customs and excise duties. In consequence, there exists some controversy as to whether the pay pause was introduced to check cost-push or demand-pull inflation, or both.

### Two Vital Issues

The British policy has to be questioned on two vital issues. First, are rising costs really the cause of Britain's balance of payments difficulties, and second, if they are, did the pay pause contribute to their elimination?

Mr Selwyn Lloyd stated in the House on July 25th, 1961, that the pay pause was being imposed because of the disproportionate rise in personal incomes and home demand compared with the rise in production. Thus the Government has





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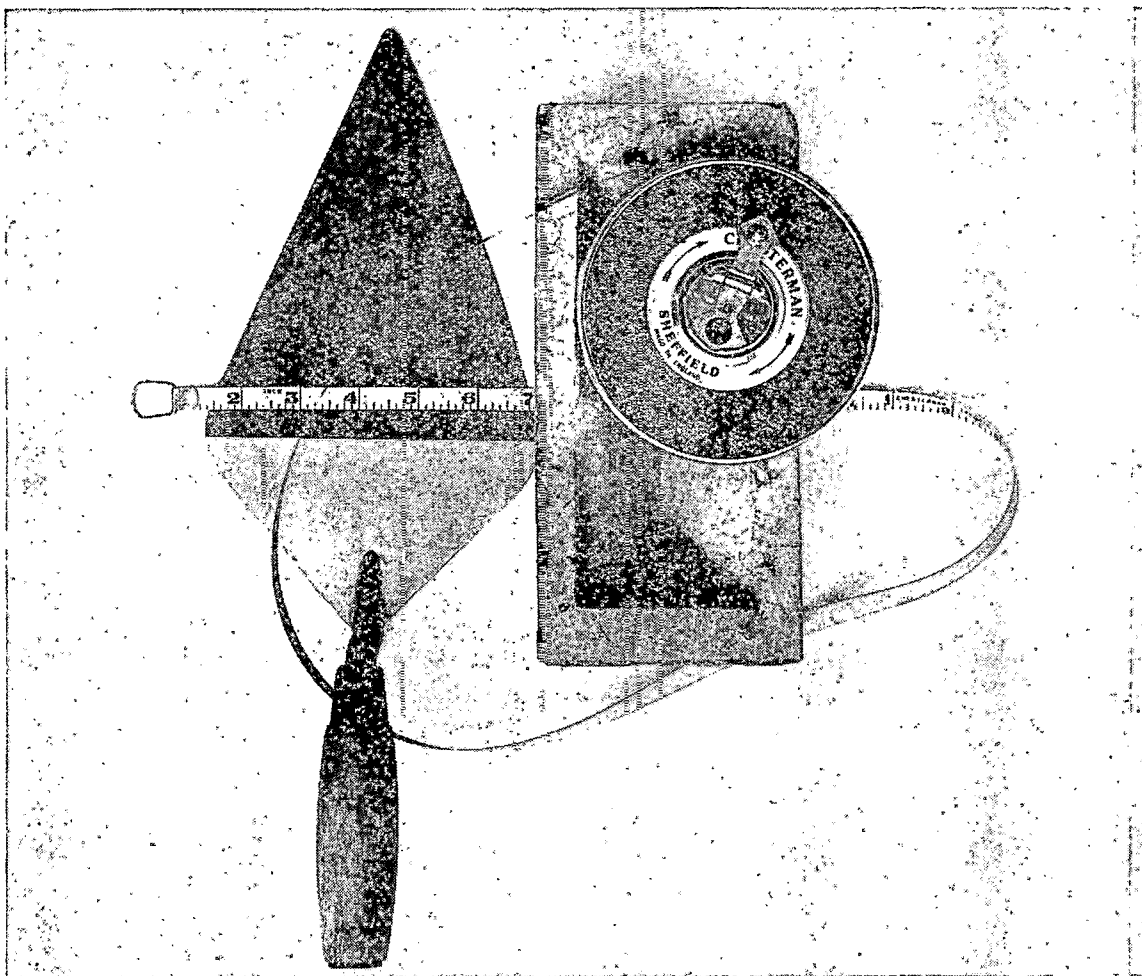
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definitely pointed to inflation as the major source of trouble, but critical commentators have proposed other possibilities. On average, Britain has had a small surplus on current account of about £100 million a year since 1952. This does not suggest that high labour costs or inflationary prices are an important cause of deficits; it suggests that the major source of trouble will be found in the capital account. Over the same period, 1952-62, Britain has invested, on average, £150 million per annum abroad, the extra £50 million of overseas investment being financed by borrowing short and lending long.

Because sterling is one of the world's major reserve currencies those holding sterling balances are very sensitive to Britain's capital reserve situation or any world movement that might have repercussions on sterling. Thus, in 1957, the devaluation of the franc, and in 1961 the appreciation of the mark, caused great speculation against the pound and resulted, on both these occasions, in a balance of payments crisis. Here the deficit obviously was not caused by rising costs but by movements of 'hot' money. If deficits in the balance of payments were temporarily financed through borrowing, the need for the damaging 'stop-go' policy would be eliminated. Growth would accelerate and exchange reserves accumulate, thus strengthening sterling and stabilizing the economy.

If it is assumed that the recurring inflation is a cost-inflation, it is possible to consider whether or not a pay pause does provide a solution to the deficit problem.

### Failure of the Pay Pause

There were two major difficulties attached to implementing the pay pause in Britain. First, the climate of opinion was not amenable to the establishment of a statutory body with legal authority to enforce the pay pause. Second, the wage bargaining structure in the U.K. was very diverse. Thus it was essential to the success of the pay pause to command the combined support of the public, the unions and the employers. The T.U.C. withheld support, public opinion was unfavourable, and few employers took the pay pause seriously. In consequence the British pay pause of 1961-62 was an abysmal failure. It depressed demand and failed to stop prices rising.

This particular failure, however, does not necessarily prove that the wage freeze concept is unable to check cost-push inflation. A properly designed pay pause will be many more times as effective than any incomes policy which provides

for higher wages with increased productivity. Even with such an incomes policy there will be inflation. If the incomes policy is not firmly administered, a 5 per cent increase in one industry will lead to demands for similar increases in other industries; an effect known as 'overspill'.

This overspill effect will always be important because it is the only means of establishing stable wage differentials for the tertiary trades. Increased productivity in the tertiary sectors is negligible and, therefore, wage increments granted on the grounds of increased productivity in other sectors will always be inflationary. Even if there were no overspill effects a 5 per cent increase in the pay of, say, car workers because of increased productivity, would increase their purchasing power and, as they form a major section of the economy, thus perceptibly increase aggregate demand. Demand will increase for the output of industries where productivity has not increased and which will only be able to provide extra output at higher prices. The imposition of an incomes policy to check cost inflation produces a type of demand inflation popularly referred to as 'productivity inflation'.

### An Efficient Pay Pause?

If it is possible to establish permanent wage differentials throughout the economy and impose an absolute wage freeze, then if increased productivity is met by a fall in the prices of those goods which can now be produced more cheaply, a steadily rising standard of living can be provided within a constant cost economy. Productivity inflation may still exist because shorter working hours are preferred to a higher material standard of living, but this will not induce higher costs. In such a situation, the pay pause would embrace an overall incomes policy because price reductions will compensate falling costs and maintain profits at a normal level. But this 'most perfect' pay pause policy still has one major disadvantage; it halts the desirable re-allocation of labour through wage differential movements.

Even so, to introduce such a policy into Britain would require a drastic, if not impossible, re-organization of the wage negotiation and settlement structure. Fortunately, however, recent evidence shows that European labour costs are rising at a similar rate to Britain's. Add to this the average annual balance on current account since 1952 and it becomes evident that the remedy for Britain's economic difficulties lies not with the pay pause or any incomes policy, but in some other direction.

# Who'd be a Trustee?

by RONALD SHERBROOKE-WALKER, C.B.E., T.D., D.L., F.C.A.

**U**SUALLY it all begins with a 'lean and slipper'd pantaloons'. The old uncle is feeling the burden of his years and has started to ease off. He's been forgetting to sign the cheques, in fact, he's almost forgotten that he is a trustee for 'the girls', both now with their three-score years well up over the horizon. Family consultation follows and someone – your opinion of that someone slides steadily down the curve of the graph as the years roll on – says, 'What about Geoffrey? He's a chartered accountant and he's under 30. Ought to see the trust out, what?' You then get the letter which you will be writing yourself almost word for word in forty years' time – 'not getting any younger . . . want to shed the load a bit', and the rest of it.

## 'Runs Itself . . .'

You are now known as a potential trustee and before long someone else wants to shed the load. 'There's really very little to do – the trust runs itself.' You don't feel quite convinced that it does – your present one doesn't exactly do that – but you don't like to say 'no'. After all, the settlor is an old friend of the family and was good to you when you were a boy. And so the flow goes on as the years go by until you suddenly take fright after you have fallen for Number 10. You have plenty of other things to do in life and will you ever be able to unscramble them all when you get old? Trusts seem to go on like Tennyson's Brook and the spectre of unborn children for whom you may have to 'stand possessed' aeons ahead starts to loom menacingly. You stick your toes in – no more settlements for you, but habit dies hard and you weaken and take on one or two more executors. After all, you tell yourself, there's nothing to do until the testator dies and there's always the chance that you may die before he does. Thus you console yourself.

To be fair, there are trusteeships and trustee-ships, and we are not concerned here with those for which you are remunerated – the heavy-weights where you are akin to the director of an investment company and all the donkey work is done by some professional firm. Nor must we grumble at the executors we take on for people who remember in their wills those who will have to take over the reins in due time. Fair enough. It is the voluntary trusteeships which

often make you sigh and hope for other people's sakes that more business will flow into the organizations which the banks maintain for the purpose. Their pictorial advertisements wring a wry smile – the harassed man with the thinning hair bending distraught over a deskful of papers the 'legacy' his friend had left him. Does one really look like that?

Let's have a look at some of these works of supererogation. One is a sinecure. An aged ancestor who passed on when W. G. Grace was flaunting his beard at Lords. You hardly realize you have taken it on; you have never acted, and, to tell the truth, you don't really know if it is still alive. Inches of dust lie on the deed box in the solicitor's office, but you have not yet been authorized to give it a clearing tick on your schedule.

The next springs to life about three times a year when income has to be distributed or annual accounts examined, but your co-trustee, who was caught in the family net a few years before you were, does the work and you merely approve and spend your three pennies on postage. Another was taken over from a somewhat parsimonious old man who ran it all himself in his lifetime and as the funds are too small to justify professional help you have to do the work yourself. Then comes another brace of settlements where your co-trustee is a lady who leaves all the work to you. If you don't review the investments periodically nobody else will. Your postages and stationery bill mounts.

## A Shade Greyer

There are plenty of others but one is of the sort that leaves its mark. An aged relative dies and her will which you propound, the last of a series – she made a fresh one about once a quarter – seems straightforward enough but little do you realize what is in store for you! Undue influence and every sort of complication. The wretched thing becomes a major preoccupation, litigation is threatened, your thinning hair goes a shade greyer and a duodenal is narrowly averted. You compromise in the end but you have found yourself perforce at loggerheads with relations you are fond of and it takes time to heal these things.

Advice to young men – you have got to help some people out, but don't take on too many!

**BUSINESS SESSIONS at the Annual Meeting of The  
Institute of Chartered Accountants in England and Wales**

## Taxation of Income from Property

**M**R R. P. WINTER, C.B.E., M.C., T.D., D.L., F.C.A., President of the Institute, took the chair at the business session on the taxation of income from property, and opened the proceedings by asking how many persons present had made use of the conference travel reduced fare vouchers provided. A member of the audience quickly rose and, to the laughter of members, indicated that on inquiring as to the reduced fare at the station, he was quoted a price 4s in excess of his normal return fare!

The President then introduced the speakers at the session who were Mr L. H. Clark, F.C.A., who spoke on the changes arising from the abolition of Schedule A assessments, Mr D. O. Bailey, F.C.A., who told of the effects on Schedule D, Case I assessments, and Mr G. H. Vieler, F.C.A., who spoke about maintenance claims and premiums from leases.

### Abolition of Schedule A

Mr Clark said it was surprising that, after the postponement of quinquennial valuation in 1941, Schedule A assessments were to be retained for another twenty-three years.

The owner-occupier's argument against Schedule A had been that he was being taxed on income which he could not jingle in his pocket.

The abolition of Schedule A would also mean the disappearance of excess rents assessments after

1963-64, but for 1963-64 the statutory repairs allowance will not be given as relief on premiums assessed as excess rent. Although after 1963-64, assessments under Schedule A are to be abolished, the relief does not extend to beneficial occupation assessed under Schedule E in offices or employments.

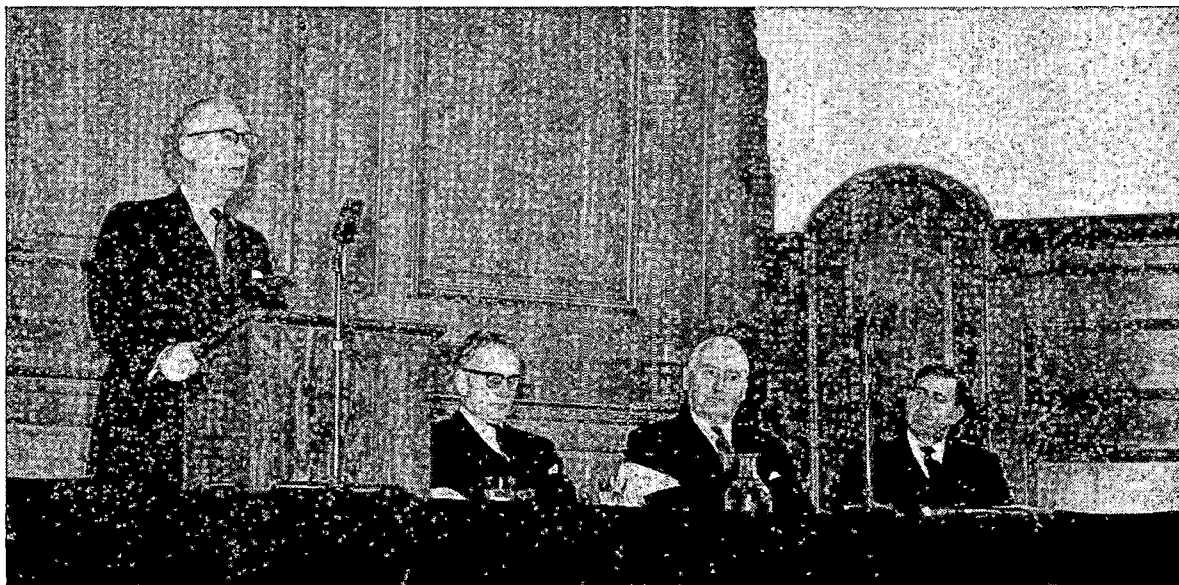
Where owner-occupied property is partly let, then Schedule A assessment remains for 1963-64 only on the let part. Business premises, however, would escape assessment altogether, so long as the rent receivable for the let part was included in the trader's Case I computation.

Mr Clark concluded by saying that a problem that was certain to arise in the future is that the next generation will ask 'Whatever happened to Schedule A?' and it will be left to us to explain.

### Schedule D, Case I Assessments

Mr Bailey opened his talk by saying that the 1963 Finance Act had done nothing to simplify Case I assessments as had been expected.

The abolishing of Schedule A and the cancelling of an allowance for the annual value in Case I and II assessments from 1963-64 onwards proved the confusion and inequity in the use of the accounting basis charge for assessment purposes. Relief may not be given for Schedule A tax paid for 1962-63 and part of 1961-62 in some cases. The extent of the inequity



Left to right: Mr D. O. Bailey, F.C.A., Mr G. H. Vieler, F.C.A., the President, Mr Laurence H. Clark, F.C.A.

depended on the dates up to which accounts are made, the earlier in the fiscal year, the greater the inequity.

Tax was still required to be deducted from annual interest, mineral rents and royalties and these are excluded from Case VIII assessment. Ground-rents and feu-duties are to be paid gross from April 6th, 1964, and will be an allowable charge in computing taxable trading or business profits, although the private individual will not obtain any relief.

Allowances for a premium paid, which had become chargeable to tax, are given against profits arising under Case I or II, unless annual allowances are claimed on capital expenditure incurred in acquiring mineral assets under section 37, Finance Act, 1963.

A person may claim, in certain circumstances, the premium allowances even though he himself may not have paid the premium.

Where wholly-let property is included in a Case I assessment, the Schedule A value is allowed as a deduction for 1963-64.

#### **Maintenance Claims and Premiums from Leases**

Mr Vieler commenced by saying that he thought that with the virtual disappearance of maintenance claims on property the level of expenditure on the upkeep and general repair of property might well fall.

Any excess expenditure arising from the five years to 1962-63 under a maintenance claim will be allowed to be carried forward into 1964-65 and allowed under Case VIII.

Dealing with premiums on leases, with regard to sections 22 to 24 of the 1963 Finance Act, Mr Vieler

thought that these sections were obscure in their terminology and the net to catch premiums was cast very wide.

If a premium is payable under a short lease, the landlord is assessed thereon at the time the lease is granted as if the premium were in lieu of rent, but is reduced by an allowance of 2 per cent per annum for the number of years covered by the lease, excluding the first year.

Where a lease contains a term to the effect that the tenant performs any improvements or alterations to the property, the reversionary value thereof will be regarded as a premium to the landlord for assessment purposes and the tenant will obtain corresponding relief. Any expenditure which would be chargeable under Case VIII, if the landlord had incurred the expenditure, will not be treated as a premium. It may be necessary, therefore, for some agreement to be reached between tenant and landlord on the costs incurred to satisfy the Inland Revenue.

Premiums on assigned leases will be assessable as such if the original lease or previous assignment was granted at an undervalue.

At the end of the three speakers' addresses, the Chairman opened the meeting to discussion. Many questions were asked which tended to concern personal experiences with Case VIII.

The session closed with a member of the audience proposing a vote of thanks to the speakers and reminding members that heed should be taken from the old Chinese saying 'Beware of what you pray for or your prayer may be answered' which was a fitting remark in view of the session's opinion that the wanted abolition of Schedule A may have resulted in something much worse in Case VIII.

## **Management Advisory Services**

THERE was a full house at the business session on the role of chartered accountants in management advisory service, presided over by Mr W. G. Densem, F.C.A., the Vice-President of the Institute. Mr A. B. Snow, F.C.A., and Mr L. W. Robson, F.C.A., F.C.W.A., put the view of the accountant in practice, and Mr S. Dixon, F.C.A., that of the accountant in industry.

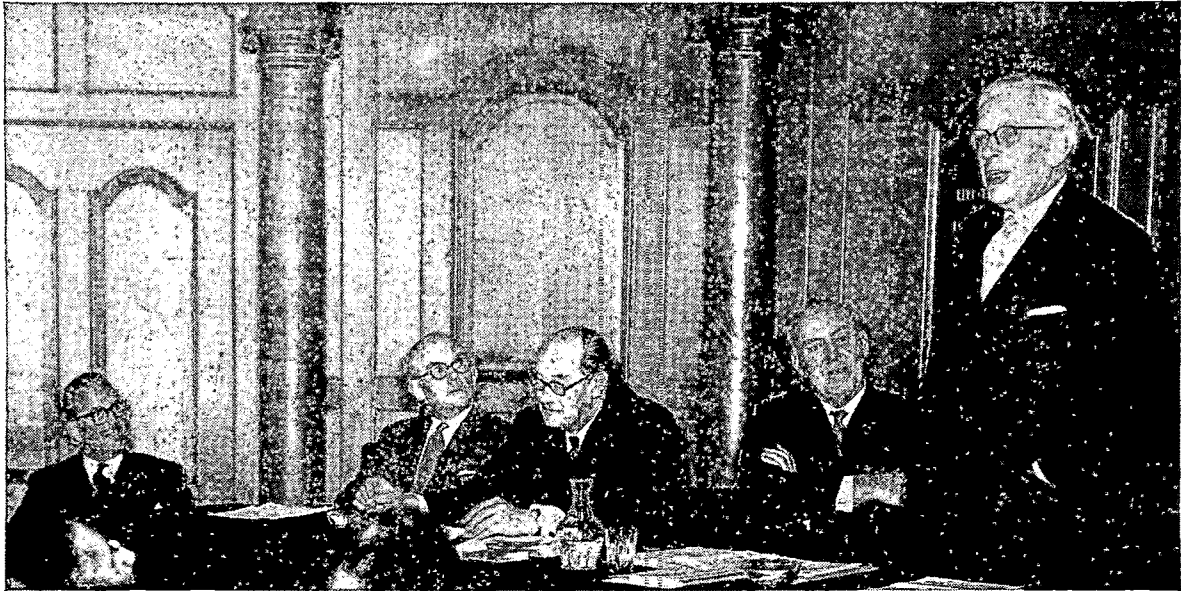
#### **Increased Fees**

Underlying all three speakers' approach to management accounting was the frustration of producing figures to satisfy only statutory requirements and the Inland Revenue. For such work the client has always been unwilling to remunerate with anything but subsistence fees. Yet Mr Snow insisted that from the basis of routine accountancy and audit work there sprang a world of profitability to the small practitioner providing a service to those clients too small to employ internally a full-time specialist on finance. Thus

develops a 'financial director service' remunerated on the scales of 'know-how', judgement and ability rather than on time spent. In this way the small practitioner can exploit his skill to the full and gain that respect from his clients warranted by his financial acumen.

Technical operations of the small business come, by virtue of size, closely under the personal control of the client. It is thus in the field of financial planning that the small practitioner has the opportunity to serve. From his audit accounts he must prepare statements which interpret the main features having an impact on the business and from these prepare projected statements of the effect of sales forecasts on capital, bank overdrafts and other relevant data, showing *pro forma* trading accounts and balance sheets at target dates.

From the little extra time spent on these additional items over and above the time spent on audit and accountancy work the result of the accountant's efforts become alive and dynamic in the guidance of



Mr A. B. Snow, F.C.A., speaking at this session, with (to his right): Mr Lawrence W. Robson, F.C.A., F.C.W.A., Mr W. G. Densem, Vice-President, Mr S. Dixon, M.A., F.C.A., and Mr M. C. Ashill, F.C.A., an Under-Secretary of the Institute.

management in future planning, with the consequential financial rewards.

#### Demand for Service

Mr Robson said that existing opportunities to both practising members of the profession and to those engaged in industry were considerable, and involved not only the acquisition of knowledge of techniques of financial control but knowledge of a wide range of equipment, including data processing equipment, now available to speed up the recording and analysis of vital accounting information for management. Many members of the profession were now acquiring specialized knowledge in the application of data processing techniques to meet accountancy and management requirements and quite exceptional interest had been shown in the courses now being planned by the Institute.

The part to be played by firms of practising accountants in widening the scope of their service to industrial management in businesses, both large and small, could be summarized under the following headings:

- (a) improvements in techniques of financial forecasting and cost control through the media of budgets, standard costs, controls for material, controls for expenditure on direct labour, controls for expenditure on factory services, administration and sales expense;
- (b) the preparation of regular cash-flow statements for management;
- (c) the application and use for management of financial ratios;
- (d) *ad hoc* profitability studies for individual products;

- (e) the rendering of assistance to management in relation to problems of cost reduction;
- (f) the establishment of improved methods of cost estimation;
- (g) studies in regard to research costs and research and development budgets.

All the foregoing subjects might be said to fall under the heading of 'improved management accounting techniques', but work in this field was inevitably leading the practising and industrial accountant into other areas of work some of which, of course, could only be carried out as a result of the accountant concerned acquiring specialized knowledge.

#### Role of the Industrial Accountant

Mr Dixon thought it the task of the management accountant in industry to present management with the costs of alternative courses of action demonstrating the impact of each project on the business as a whole. It is not his duty to make the decisions but to provide information so that decisions can be properly reached by the departmental manager concerned.

Managers seek to justify their schemes with a liberal use of statistics, unit costs and averages but it was Mr Dixon's experience that a little knowledge used to prepare these was a very dangerous thing on which to base alternative decisions for so often only a small section of the relevant factors was taken into account, no regard being had to the impact on the business as a whole.

It was Mr Dixon's opinion that all overheads should be costed for purposes of decision-making as every project must make its contribution.

Taxation has now a marked impact on the results of alternative decisions of management, Mr Dixon



urged, and it was stressed in later discussion, that the tax 'tail' should not wag the dog; each project must stand on its own merits and be justified by its own operating profit. Policy having been decided on it is only then, and not before, that the technical details of execution should be considered by the accountant and the method of securing the maximum tax advantage ascertained.

### Client Relations

It was pointed out in the ensuing discussion that successful businesses tend to have a good financial service from their accountant. It was necessary to build this close relationship to encourage manage-

ment to turn to the accountant at every point where financial and related policy decisions are to be reached.

All decisions are better made by the availability of frequent figures and the preparation of short-term accounts must be the first stage in aiding an organization to efficiency.

From the chair, the Vice-President said that it was often necessary for the chartered accountant to persuade his client to turn to the relevant figures the accountant had produced. In this way the client had the opportunity to avail himself of the benefits from expert interpretation of information from those chartered accountants rendering a management advisory service.

## Professional Ethics

**M**R W. W. FEA, B.A., F.C.A., presided over the session on professional ethics for members in commerce and industry and introduced the three speakers: Messrs C. Croxton-Smith, M.A., LL.B., J.P., F.C.A., E. H. Davison, F.C.A., and F. J. Weeks, F.C.A. (the last named deputizing at short notice for Mr P. D. Irons, B.COM., F.C.A.). Mr C. H. S. Loveday, F.C.A., an Under-Secretary of the Institute, was also on the platform.

The first speaker, Mr Davison, observed that the establishment of a code of professional ethics for members in commerce and industry involved breaking virgin ground, and that in the time available it would scarcely be possible to deal exhaustively with the problem. Postulating that professional status involved the acceptance of an ethical code, he proposed as a basis for discussion the triple duty of members in commerce and industry towards: (i) their employers, (ii) other members of the profession (whether or not in practice), and (iii) the community at large.

Concerning relationships with employers, the primary duty of any employee is to do the job for which he is paid; and the speaker found it a matter for surprise and regret that there is no statutory, or even accepted, definition of the functions of an accountant in industry. Even in the absence of such a definition, however, a member of the Institute so employed is still a professional man, and his special duties towards his employers are fourfold. Firstly, to observe strict confidence; secondly, to keep up to date in methods of work and presentation, and in his relations with the Institute; thirdly, to abstain not only from using information for his personal profit, but from the semblance of so doing; and, fourthly, to be objective in his work, with no element of personal bias or prejudice. The first and third of these objectives are more readily defined than the others.

### Relations with Other Members

In relation towards other members, it should be established that all members, whether practising or

employed, are free to communicate with one another on any matter of mutual interest. The undefined function of the accountant in industry has led to the equivocal situation that the professional auditor is not bound to seek, or to heed, his opinion. Members in industry should accept the specific duty to inform the auditor of any matter likely to be of interest to him. Further, it seems anomalous that members in industry will commonly take over, without consultation, positions formerly held by other members, whereas the assumption of professional work from one practising member by another is very strictly controlled.

Relationships with the community at large may embrace present or potential investors, creditors, the Inland Revenue, and the general public. A professional man has responsibilities in these directions far beyond anything that is required of an ordinary employee, and – particularly in relation to published accounts – there may be room for major differences of professional opinion. In such circumstances the penalty of conscience can be severe, and there may be a temptation to shelter behind the responsibility of the directors and the auditors.

Following Mr Davison, Mr Weeks cordially endorsed his remarks, pointing out that a member of the Institute does not leave his conscience behind him on his entry into commerce. A member in commerce or industry must necessarily accept responsibilities towards the professional auditor, the public, and the Inland Revenue, in addition to his duty to his own employer.

Mr Croxton-Smith submitted that a professional man was bound by his code of ethical conduct whether in practice or not, and whether at home or abroad. Such standards could only be forsaken at peril. The standards required of practising members (e.g. in such matters as advertising, acceptance of work from other members, or activities deemed incompatible with membership of the Institute) were not necessarily inappropriate to those employed in commerce or industry.



Reference was made to section S.5 of the *Members' Handbook* – 'Unlawful Acts or Defaults by clients of Members' – with the suggestion that this is equally relevant to members in commerce and industry *vis-à-vis* their employers as to practising members and their clients.

It should be regarded as an implied term of any member's contract of employment that he is not required to do anything in violation of either the general law or his professional code: but to issue ethical directives to members not in practice might be regarded as an attempt to dictate terms of employment to employers.

### Varying Ethical Standards

In the discussion that followed several members alluded to the difficulties encountered in connection with varying ethical standards in different parts of the world. It was pointed out that whereas a member might feel impelled in such circumstances to tender his resignation, the establishment of an ethical code is a developing process, and a more constructive approach would be to work for the elevation of local standards to a level more closely approaching that to which the member was accustomed.

One speaker suggested that younger members in a position of difficulty would welcome the opportunity of consultation with senior members of wider experience. Mr Loveday mentioned that this facility was already available through district societies, and that any member confronted with an ethical problem was at liberty to consult the Secretary of the Institute. Another pointed out that the majority of cases

coming before the Disciplinary Committee, other than non-payment of subscriptions, involved practising members. He added, amid laughter, that he was unable to accept this either as coincidence or as indicating a higher standard of conduct amongst non-practising members.

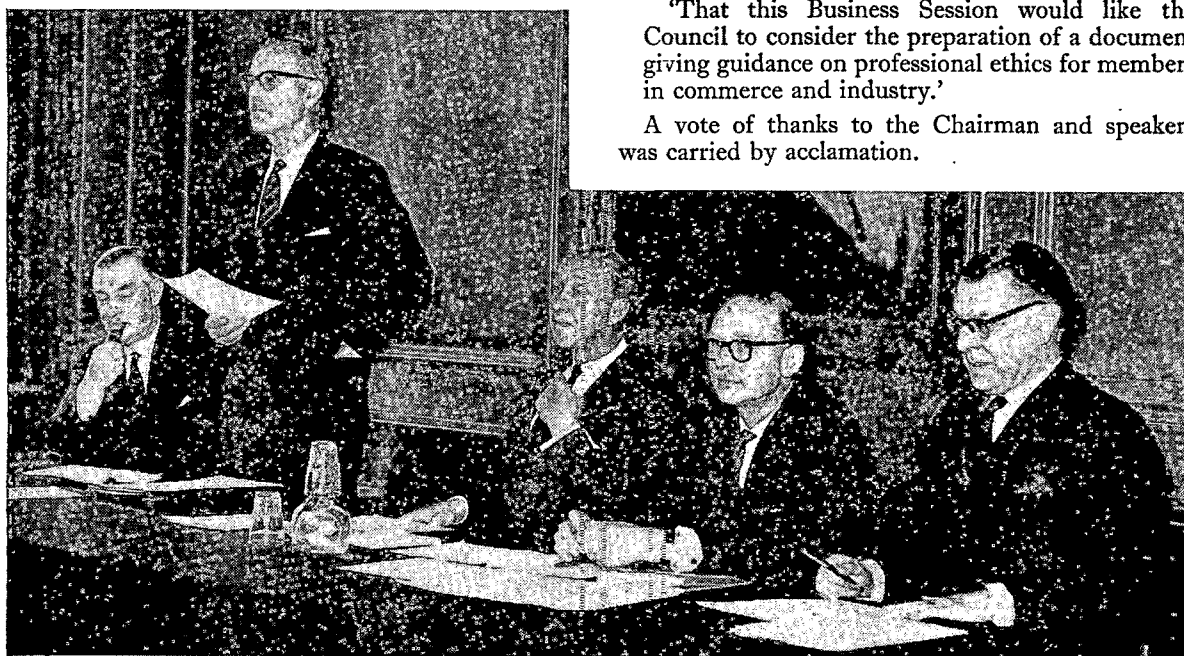
It was generally felt that the financial risks of conscience could bear more heavily upon members employed in commerce and industry than upon practitioners. One member inquired whether an employed member in ethical difficulty should be able to count upon the support of the professional auditor, and the platform agreed that this should be so, provided that the auditor was fully informed.

Particular reference was made to members employed as whole-time tax administrators or advisers, whose work might involve close contact with the legal profession. In this case, the ethical duty to refrain from doing work within the province of another profession is already quite clear: also, a member undertaking work for which he is not professionally qualified incurs a grave risk of liability for professional negligence. Generally, however, the position of members employed in non-accounting capacities was agreed to be beyond the scope of the present meeting.

The meeting endorsed the view that members in commerce and industry, no less than in professional practice, were bound by ethical requirements; that an ethical code might be more stringent than the bare demands of the common law; and that the function of such a code was to protect standards rather than individuals. On the proposal of the Chairman, the following motion was carried with one dissident:

'That this Business Session would like the Council to consider the preparation of a document giving guidance on professional ethics for members in commerce and industry.'

A vote of thanks to the Chairman and speakers was carried by acclamation.



Left to right: Mr F. J. Weeks, F.C.A., Mr E. H. Davison, F.C.A., Mr W. W. Fea, B.A., F.C.A., Mr C. H. S. Loveday, F.C.A., an Under-Secretary of the Institute, and Mr C. Croxton-Smith, M.A., LL.B., J.P., F.C.A.

## Weekly Notes

### APPLYING THE NEW RENTS TAX

ON another page we reproduce the Revenue's published thoughts on the way to apply certain aspects of the provisions of the new Case VIII tax on rents which came into force last month. Their view, that there is no material difference between the well-known *Law Shipping* principle and the provision for allowance for repairs set out in paragraph 2 of the Fourth Schedule to the Finance Act, 1963, is no doubt right. The paragraph was obviously drafted with one eye on the *Law Shipping* case. The provision in paragraph 1 for the deduction of the cost of services stipulates that the landlord must have been 'obliged' to provide these. The Revenue now say that this will be interpreted as permitting deduction even where the lease does not expressly require the landlord to provide the services, unless the parties are not at arm's length. We would have been happier if this had been inserted in the legislation, instead of leaving it to the goodwill of local officials. In general the notes are very helpful and it is hoped that they will be supplemented from time to time, so that a high degree of uniformity throughout the country can be obtained, and tax advisors will be able to be more definite in the advice they give.

### BOARD OF TRADE INVESTIGATION ORDERED

WHEN the Jenkins Committee on company law was sitting, the Board of Trade was the subject of some criticism that it was not sufficiently active in exercising its statutory powers of investigation into the affairs of companies. Recently a company successfully applied to the Divisional Court to order the Board to investigate its own affairs (*Regina v. Board of Trade, ex parte St Martins Preserving Co Ltd* (*The Times*, May 7th)).

In 1963 a bank had exercised its powers under a debenture to appoint a receiver and manager of the company's business. This person had proceeded to reconstitute the board of the company's subsidiary, T. G. Tickler Ltd, making himself a director of that company. He had rejected a request by the company for information about his actions in relation to the company's subsidiary, and the company had therefore passed a special resolution to require the Board of Trade to investigate its affairs, pursuant to section 165 (a) (i) of the Companies Act, 1948. This the Board had declined to do. Accordingly the company applied for an order of *mandamus* requiring the Board to carry out its statutory duty, which *mandamus* has now been granted.

### DIRECTOR'S BENEFITS ASSESSMENT UPHELD

THE House of Lords has unanimously dismissed the appeal by a director against a Schedule E assessment on £641 paid by his company for his defence in a prosecution for causing death by dangerous driving (*The Times*, May 6th). The Crown rested their claim on section 161 (1) of the Income Tax Act, 1952, which provides, *inter alia*, that where a company incurs expense in providing for its director 'living or other accommodation, entertainment, domestic or other services, or other benefits or facilities of whatever nature' the sums incurred are to be treated as the director's emoluments. Upholding this claim, Viscount Radcliffe said the appeal by the director was a hopeless one. The House thus upheld the decision of the Court of Appeal (*Rendell v. Went* (42 A.T.C. 255).)

### COST OF BUSINESS SCHOOLS

THE cost of setting up and running two British business schools has been outlined in a pamphlet called *British Business Schools: The Cost* which has been prepared by a working party under The Rt Hon. Lord Normanbrook and published this week.<sup>1</sup> It follows on from the report by Lord Franks called *British Business Schools* which was commented upon in a leading article in *The Accountant* on March 20th last.

The Normanbrook Report begins from where Lord Franks finished. That is to say it has taken as a starting-point his recommendation that there should be two business schools and that they should each provide a one-year course for 200 postgraduate students and two post experience courses annually for 100 students. The student population in each school would thus be 300. The two business schools would be at London and Manchester and the capital cost would amount to up to £2.4 million, of which just under £1 million would be required for Manchester and about £1.4 million for London. The recurrent cost of running these schools would be about £300,000 a year each but this makes no allowance for the running cost of residential accommodation and it has been assumed that this would not be subsidized by the two schools. It is estimated that the annual fee income of the schools would be about £134,000 each, leaving a net recurrent expenditure in each case of £166,000. It is thought that it would take about eight years to build up to the full annual rate of expenditure.

One of the problems which is likely to prove most difficult to solve and one on which the report is least specific is salaries and remuneration. The report considers that salaries paid from university funds to full-time members of the staff of these schools should be broadly in line with the ordinary scales of university salaries. In schools of this kind they would expect salaries to be at the higher end of the scale. They think that full-time teaching staff in these schools

<sup>1</sup> Published and distributed by the British Institute of Management.

coming from university should have 'considerable latitude' to supplement academic income by outside directorships, consultancy fees and so on. Such outside emoluments may not be as easy to come by as is imagined and they will, of course, create precedents for academic life in the future. The report also envisages a substantial amount of the teaching being done on a part-time basis by people holding positions in industry and commerce. Little is said about remuneration of such staff but clearly it is a vital consideration. The fact will have to be faced that so far as quality of teaching is concerned (measured by experience of the teachers) expensive personnel will need to be recruited.

The Government announced on Tuesday that it is prepared to help set up the two business schools.

### ECONOMIC PROGRESS

WITH the publication in *Economic Trends* of the quarterly estimates of national income and expenditure for 1963, the precise extent of the improvement in the economy during 1963 over the previous year becomes apparent. Despite the bad winter, both the index of industrial production and the gross national product were three points higher than in 1962. While all categories of expenditure were at higher levels, both the timing and the scale of the rise varied between them. For example, consumer expenditure responded markedly to the cuts in taxation in the second quarter of 1963 and with this stimulus capital expenditure began to show signs of increasing in the third quarter while by the last quarter there had taken place a substantial increase in stocks.

Income from employment in 1963 was 5 per cent higher than in the previous year, but gross company trading profits were estimated to have risen by 10 per cent. In consequence, expenditure on consumer durable goods, stimulated by the purchase tax cuts, rose by some 16 per cent, equal to some £120 million of additional expenditure. At the same time there were substantial increases in spending on clothing, while hire-purchase debt showed a significant increase. The increase in consumer spending was nevertheless estimated to fall short of the actual increase in disposable consumer incomes which during the year rose in real terms by about 5½ per cent.

The article also contains some new estimates of the levels of personal saving. Such data in the past have been based on extremely tenuous information, but the improvement in the data collected has enabled better estimates to be prepared. Nevertheless, there are still serious gaps in the data, more especially in connection with transactions by persons in shares and the sale of unincorporated businesses to companies. The totals involved may be very large. The article reports that the personal sector probably accounts for most of the transactions in Government marketable securities by persons and non-financial companies and net sales in 1963 are estimated at about £240 million.

### KENNEDY ROUND TALKS

ON Tuesday of last week the inaugural meeting of the Kennedy Round talks among countries of the General Agreement on Trade and Tariffs took place. It is not expected, however, that serious bargaining will begin until the autumn, probably in October. The thirty-four countries of the Kennedy Round are committed to a large cut in tariffs. In the U.S. Trade Expansion Act, a cut of 50 per cent was aimed at but delegates are now agreed that something between 25 and 30 per cent is much more likely to come out of the negotiations which are likely to drag on for well over a year.

The preliminaries included a review of progress so far, dates for bargaining to begin and a general stocktaking. If the progress reports and the recommendations from the executive secretary of GATT are accepted, September 10th will be the date fixed for countries to submit their exceptions list to the overall cuts, and October 12th for the beginning of the negotiation process.

A basic problem has, however, to be solved before serious negotiations can begin. There is serious disagreement between the U.S. and the European Economic Community on a number of matters, including agricultural tariffs. It is still difficult to see how a serious cut in GATT tariffs can be secured without Western Europe admitting that U.S. agricultural produce can be allowed into the European Common Market on substantially more favourable terms than at the present time. This point is very far from being conceded yet by the E.E.C.

### ONE VOICE FOR INDUSTRY?

FOR some time past it has been felt that the existing tripartite structure of organized British industry, i.e. the Federation of British Industries, the National Association of British Manufacturers and the British Employers' Confederation, was not well suited to the needs of modern policy planning with Government agencies and departments. Last July these bodies invited Sir Henry Benson, C.B.E., F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, and Sir Sam Brown, a leading solicitor, to prepare a constitutional framework within which the three bodies might be able to unite their various activities and ensure a still more effective representation of industrial views to the Government and the public. Their *Report on the Formation of a National Industrial Organization* has now been published.

The authors recommend the formation of a national industrial organization (N.I.O.) representing productive and manufacturing industry. The nationalized industries should also enjoy some representation in modified form. Membership would comprise two classes, full and associate, and all existing members of the three founder organizations would be eligible for

full membership. The main difference between the two proposed classes is that the associate would not be eligible for Council membership.

The affairs of the N.I.O. would be controlled by a Council comprising about four hundred members, individual members being elected by industrial electoral panels similar to the present structure of the F.B.I. The conduct of business in the N.I.O. would be delegated by the Council to standing committees, supplemented by subcommittees and working parties. The membership of these bodies would be determined by the Council. A strong regional balance is recommended in the proposed N.I.O., including a

special Welsh organization, but the administration should be on a functional basis. Initially, pending a review by the N.I.O. when it is fully established, members should enjoy the same services as they at present obtain from their existing organizations.

Revised subscriptions would be introduced in two stages with about two years' interval between them. It is proposed that the subscription be based not upon the number of employees, but upon the total wage and salary bill. The joint authors refer to the co-operation and assistance they have received from the three organizations and it is difficult to believe that these eminently practical proposals will not be adopted.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 224

TIME was when office equipment was a complete mystery to me. Like most accountants, I regarded it as a specialist study; something to be left to those with ample time to deal with it, like consequential loss insurance or double taxation. Those of us trained in auditing principles, skilled in advising directors of their inadequate liquidity, adamant in resisting the onerous claims of lynx-eyed Revenue Commissioners, could ignore minor mechanical devices. So I thought. I've learned better over the years.

The misguided notion developed first in my years as an articled clerk. In common with my fellows, our early weeks of service were spent in the firm's filing department cum typing pool, in order that we might learn basic office procedures, as our principals ordained. Looking back, I suspect this practice as exemplifying our principals' rather hazy approach to articled clerks. Too hazy or unsystematic to co-ordinate their work-force efficiently, they allowed us eager youngsters to start our careers in bored frustration, kicking our heels around the typists' desks.

True, the typewriters might have been interesting had we had a chance to learn proficiency, but no self-respecting typist would encourage us birds of passage to paw at her machine. We were warned off from experimental fingering. In addition, the senior permanent office-boy, a lanky long-nosed lout, monopolized any idle machines. Being mechanically-minded, he was continually removing the platens or fiddling among the keys with a screwdriver and tended to mock at our unskilled efforts.

However, being tenacious of new talents, I learned to type clumsily with one pecking forefinger, until I was crushed by the scorn of the junior partner. Why

on earth, he asked loftily, should an accountant need to type? Leave that manual fussiness to the girls; get out and about in the big world of industry; do some constructive work like checking ledger balances!

I remembered his foolishness with some bitterness, years afterwards. I had to set up the office organization for a new concern, the general manager of which was appalled at my ignorance of the different categories of machines and their comparative benefits. Brief-size carriages, double platens, continuous stationery attachments, totalizers . . . they were all Greek to me. Salt was rubbed into my wound by a bright clerk who, with years of practical experience behind him, showed up my greenness by his telling comments.

However, times have changed. Witness the recent occasion when the office manager and I stormed the managing director's defences with a claim for a new copying machine, too costly for my normal equipment budget. We showed him sheafs of glossy multi-coloured brochures, mostly more illustrative of pretty operators than of actual machines, it must be admitted, and blinded him with science. Cheap production of masters, offset-litho, instantaneous photography, colour reproduction . . . simplify the procedures, we urged him, and reduce staff time and training.

He backed away. His queries on performance we answered impressively. Torn between his innate engineer's weakness for slick-looking super-modern plant, and his natural directorial aversion to capital expenditure on mere accountants, he was hamstrung. We insisted stubbornly on the long-term economy of the item and on the short-term speed-up of snowballing copying work, and he capitulated. He signed the purchase authorization and we retired triumphantly.

Later as I glanced through my midday post I saw another brochure of office plant – glossier, electronic, sensimatic, bristling with refinements . . . bigger, costlier . . . perhaps I'd been premature? Perhaps we should buy this one instead? It's so enormously impressive that I hardly understand its technicalities myself.

# Taxation of Income from Real Property under Case VIII

## INLAND REVENUE STATEMENT OF GENERAL PRACTICE

*We reproduce below a statement of general practice relating to the taxation of income from real property under Case VIII of Schedule D, Finance Act, 1963, issued by the Inland Revenue last week. The statement is referred to under 'Weekly Notes' elsewhere in this issue.*

### 1. Expenditure on dilapidations

In the view of the Inland Revenue, there is no material difference in the law on this point under Case VIII of Schedule D, as laid down in paragraph 2 of the Fourth Schedule to the Finance Act, 1963, and under Case I of Schedule D as interpreted in *Law Shipping Co Ltd v. C.I.R.* (12 T.C. 621). It is not possible to say exactly where the line should be drawn in practice; that must depend on the facts of the particular case. But broadly the practice under Case VIII would be the same as under Case I in similar circumstances; i.e. expenditure on maintenance and repairs will be disallowed as a deduction under Case VIII on the ground that it relates to dilapidations attributable to a period before the currency of the relevant lease if the expenditure would have been disallowed under Case I if the property had been acquired as a fixed asset of a trade at the commencement of the lease, and it will be allowed under Case VIII if it would have been allowed under Case I.

### 2. Expenditure on services for tenants

Paragraph 1 of the Fourth Schedule to the Finance Act, 1963, will be construed as covering a landlord's commercial expenses of a revenue nature on providing services or amenities for tenants for which the rent constitutes consideration, although there is no express covenant in the lease on the point. This does not extend to private arrangements (e.g. between a company and one of its directors or members) such as would not be made between a landlord and tenant at arm's length.

### 3. Accounts basis

Inspectors of Taxes will accept computations of liability to tax under Case VIII on an accounts basis in appropriate cases where the taxpayer furnishes full accounts (including a balance sheet) which are

made up annually to the same date (see paragraph 138 of *Notes on the Taxation of Income from Real Property*, published by the Board of Inland Revenue). Ministers made an announcement to this effect in the House of Commons during the Finance Bill debates last year (*Hansard*, May 16th, 1963, columns 1599-1601 and June 26th, 1963, column 1450).

### 4. Aggregation of income and expenditure in Case VIII computations on the accounts basis

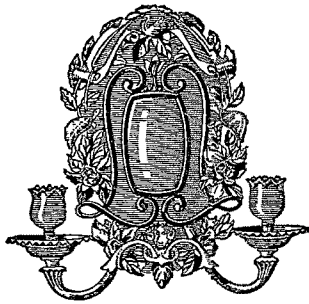
In computations under Case VIII on the accounts basis aggregate figures of income and expenditure need not be broken down to show separate figures for each property where it is reasonably clear that this will not affect the total tax liability. (As to this, see paragraphs 139-140 of *Notes on the Taxation of Income from Real Property*.)

### 5. Management expenses claims

Separate management expenses claims must still be made by property-owning companies under section 425, Income Tax Act, 1952, but it will not usually be necessary to make a very precise allocation of expenditure for this purpose between management expenses and Case VIII deductions, since aggregate tax liability will seldom be affected.

### 6. Lost rents and recoveries of lost rents

Where the accounts basis applies in computing a company's liability under Case VIII, there will be no objection to writing off lost rents for Case VIII purposes in the year in which they are written off in the accounts, and treating subsequent recoveries as receipts of the year of receipt, as for bad debts under Case I of Schedule D. (This of course is on the assumption that the statutory conditions for relief for lost rents under section 18, Finance Act, 1963, are satisfied.)



## THE ACCOUNTANT ANNUAL AWARDS

### Winning Companies for 1964 announced

The two companies which have been selected to receive *The Accountant* Annual Awards for 1964 are:

RECKITT & COLMAN HOLDINGS LTD  
and  
PASOLDS LTD

The reports and accounts of these companies were judged the best of 1,200 entries for this year's Awards.

Each year's Awards are for reports and accounts presented at company annual meetings held during the previous calendar year. The Award to Reckitt & Colman, therefore, (which is that for large companies) is in respect of their accounts for the year to December 29th, 1962, presented at the company's annual general meeting on June 13th, 1963.

Pasolds receive the Award for 'smaller' companies requiring less complex accounts than those of a large group, in respect of their accounts for the year to March 31st, 1963, presented at the company's annual general meeting on September 12th, 1963.

*Lord Ritchie of Dundee, Chairman of The Council of The Stock Exchange, London, will present the Awards at the Grocers' Hall on June 2nd, in the presence of a distinguished company representing the City, the professions, commerce and industry.*

The Awards, which are of equal rank, each take the form of a pair of hand-made silver wall sconces inscribed with the name of the winning company and specially designed with ancient and modern symbolism depicting commerce and accountancy. They are made annually to companies whose shares are quoted on a recognized stock exchange in the United Kingdom, in relation to the form and content of their published reports and accounts; particular importance is attached to the adequacy of the information given.

#### Comments of the Panel

This year, for the first time, the Panel draw attention to some of the points which came to notice in the accounts under review and which in their opinion are weaknesses. These points are not intended to be an exhaustive list, but a selection of widely-occurring omissions:

- lack of information as to the nature of the business;
- omission of the names and spheres of operations of the principal subsidiaries;
- failure to give information relating to the value of trade investments, if substantial;
- failure to give a clear indication of the basis on

which the assets are shown in the accounts and in particular the basis of valuation of the stock-in-trade;

- absence of any statistical summary covering not less than the previous five years;
- failure to cross reference the notes with the accounts.

#### Panel of Judges

In 1964, for the fifth year, Mr K. W. Mackinnon, M.B.E., T.D., Q.C., served as Chairman of the Panel of Judges. His sudden death on April 30th, at the age of 58, which was announced in our issue of last week, is a sad loss to the Panel over which he presided so ably.

The Panel was joined this year by Mr R. Adams, C.A., a member of The Institute of Chartered Accountants of Scotland and a partner in a London firm of chartered accountants, and the Hon. J. F. H. Baring, a managing director of Baring Brothers & Co Ltd. They filled the places of Mr C. D. Gairdner, C.A., and Mr A. W. Giles, M.A., C.A., who had both served on the Panel for four years.

The other members are: Mr W. G. Campbell, B.A., F.C.A.; Mr A. S. H. Dicker, M.B.E., F.C.A.; Mr J. A. Hunter, M.B.E., T.D.; Mr J. E. Harris, B.COM., F.A.C.C.A.; Mr Ian T. Morrow, C.A., F.C.W.A.; Mr Hilary Scott; Sir Richard Yeabsley, C.B.E., F.C.A.; Mr Arthur E. Webb, Editor of *The Accountant*.

#### Previous Winners

Awards have been made in past years to:

- 1954 Thos. W. Ward Ltd.
- 1955 Ford Motor Co Ltd.  
Unilever Ltd.
- 1956 Associated Electrical Industries Ltd.  
Folland Aircraft Ltd.
- 1957 The United Steel Companies Ltd.  
Trawlers Grimsby Ltd.
- 1958 Peninsular & Oriental Steam Navigation Co.  
John Dale Ltd.
- 1959 The British Oxygen Co Ltd.  
General Refractories Ltd.
- 1960 Vickers Ltd.  
John Harvey & Sons Ltd.
- 1961 Albright & Wilson Ltd.  
The Prestige Group Ltd.
- 1962 Rolls-Royce Ltd.  
Atkinson Lorries (Holdings) Ltd.
- 1963 Fisons Ltd.  
Southcros Ltd.

# Finance and Commerce

## Abbey National

THIS week's reprint is from the 1963 accounts of the Abbey National Building Society, one of the country's financial institutions that needs no introduction. In its present form, it dates from 1944. Through its main component parts, the Abbey Road and the National building societies, it goes back to the early days of the building society movement.

One thing not provided in these accounts is the comparison with the previous year's figures that we have become used to in company accounts; and the lack of them can be felt. Figures are given added interest when compared with what has gone before.

Addressing members at the annual meeting, the chairman, Sir William Cash, M.A., F.C.A., whose sudden death on Monday of last week we reported with regret in our last issue, gave the first part of his speech to the growth of the Society. Assets were now £559 million compared with £80 million reported to the first annual meeting. Growth in 1963 was the result of a particularly sharp increase in the inflow of funds, receipts from investors amounting to a record £135 million – an increase of £26 million.

Withdrawals, inevitably, he said, had also risen from £54.6 million to £63.7 million but in the main it was what he called a 'natural' increase reflecting the growth of assets in the past.

## Cyclical Pattern

On this subject of the inflow of funds to building societies, Sir William presented a view over the years that should interest accountants, particularly the younger generation reading finance, monetary theory and economics.

He saw something of a cyclical pattern in the movement of money into and out of the building societies. The inward movement was influenced not only by the rate of interest that could be obtained elsewhere but by the state of the economy in general and the level of personal saving in particular.

Over the past decade, he saw that in each first year or so of economic recovery following business recession, the gross inflow jumped with 'abnormal sharpness', after which it fell away to a 'more normal figure' with even 'a temporary period of declining receipts'. Summarizing, he said that 'annual receipts from investors were especially high in 1954, 1959 and 1963 which were all similar in being the initial stage of an economic upswing'.

The general explanation for this, he thought, was probably in the fact that in the abnormally-high years, the rise in personal spending on consumption lagged

behind the rise in real personal incomes in periods when income growth was abnormally rapid. People, at first, tended to save a larger proportion of their rising incomes and the building societies received part of the benefit.

## Growth Variation

At a later stage of the economic boom, people seemed to bring their spending more closely into line with their income rise; the flow of money into building societies slowed down, and this was often aggravated by rising interest rates on other fixed interest assets and even by the enhanced attraction of ordinary shares when the boom was well advanced.

But that wasn't the end of the story, Sir William said. Even if withdrawals rose perfectly steadily at a constant rate year by year, the result of the fluctuating tendency in gross receipts would be to produce a pronounced variation in the growth of net share and deposit receipts from year to year. Past experience, however, showed that the rate of withdrawals as a proportion of the year's total of investors' assets also tended to speed up as a result of the very circumstances that produced a slackening in gross receipts.

The upshot was that within a year or two of the period in which they may have been congratulating themselves on having had a record net inflow of share and deposit money, the annual net addition to investors' assets was likely to fall quite sharply, even to a level below what might be considered as 'normal'.

## Interest Rates

Sir William's general deduction from this was that it is wise to store up additional liquidity in order to run the business smoothly; the demand for mortgages would continue to rise with the increase in personal incomes even though the tide of net receipts from investors might eventually ebb.

This examination of the cyclical movement of money he related to the building societies' interest rate policy. He maintained that a further reduction in interest rates because of continued inflow of funds would be unwise because of the cyclical probability that the inflow of money would slow down.

The cause of home-ownership, he said, would be ill-served if building society interest rates were reduced because of a purely temporary increase in liquidity, to be followed by a situation in which they were forced severely to ration advances.

Sir William further explained that a growing building society was likely to show a lower ratio of reserves to total assets than one which was static because there were initial costs involved in granting new advances, a matter of importance when the margin of surplus earned was already very low.

In the case of the Abbey National, the published reserve ratio stood at 3.54 per cent. He estimated that if the Society ceased to grow, the ratio would increase to something like 3.9 per cent in one year, a rise of about 10 per cent.

THE  
ACCOUNTANT

May 16th, 1964

ABBEE NATIONAL BUILDING SOCIETY

ANNUAL RETURN

For year ended 31st December, 1963.

Registered Chief Office: Abbey House, Baker Street, London, N.W.1

Register No. 1 B

Date of Incorporation, 1st January, 1944

Total Membership of Society at end of year .. .. .	844,110
Number of Investing Shareholders at end of year .. .. .	844,110
Number of Creditors for Deposits and Loans at end of year .. .. .	36,914
Number of Borrowers at end of year .. .. .	276,533

1. SHARES ACCOUNT

Withdrawals (including £8,854,396 Interest paid out) ..	£ 65,535,193	Subscriptions .. .. .	£ 113,955,196
Due to Shareholders at end of year		Interest .. .. .	15,618,034
Shares .. .. .	£472,662,010	Due to Shareholders at beginning of year	
Interest .. .. .	£ 4,540,790	Shares .. .. .	£408,862,380
	477,202,800	Interest .. .. .	£ 4,302,383
			413,164,763
	<u>£542,737,993</u>		<u>£542,737,993</u>

2 (a). H.M. GOVERNMENT ADVANCES ACCOUNT

Repayments, including Interest .. .. .	£ 1,663,209	Advances received .. .. .	£ —
Due to H.M. Government at end of year .. .. .	18,202,920	Interest on Advances .. .. .	1,053,656
		Due to H.M. Government at beginning of year .. .. .	18,812,473
	<u>£19,866,129</u>		<u>£19,866,129</u>

2 (b). OTHER DEPOSITS AND LOANS ACCOUNT

Withdrawals, including Interest .. .. .	£ 7,994,812	Receipts from Depositors .. .. .	£ 14,602,242
Due to Creditors for Deposits and Loans (excluding banks)		Interest on Deposits .. .. .	1,042,294
at end of year .. .. .	36,539,018	Due to Creditors for Deposits and Loans (excluding banks)	
		at beginning of year .. .. .	28,889,294
	<u>£44,533,830</u>		<u>£44,533,830</u>
Loans from Bank repaid, including Interest (or reduction in		Loans from Bank (or increase in Overdrafts) .. .. .	—
Overdrafts) .. .. .	—	Interest on Bank Loans .. .. .	—
Due to Bank on Loans and Overdrafts at end of year .. .. .	—	Due to Bank on Loans and Overdrafts at beginning of year .. .. .	—
	<u>£44,533,830</u>		<u>£44,533,830</u>

3. MORTGAGES ACCOUNT

Advanced on Mortgages (classified in Schedule No. 1) ..	£ 112,006,695	Repayments of Advances, Interest and Insurance Premiums	£ 78,891,820
Interest .. .. .	26,535,198	Losses on Mortgages .. .. .	1,761
Insurance Premiums .. .. .	900,713	Due on Mortgages at end of year .. .. .	460,223,092
Due on Mortgages at beginning of year .. .. .	399,584,077		
	<u>£539,026,673</u>		<u>£539,026,673</u>

4. INVESTMENTS ACCOUNT

Investments made (classified in Schedule No. 4, Section "A"):	£	Investments realised (classified in Schedule No. 4, Section "B"):	£
Quoted .. .. .	12,976,047	Quoted .. .. .	£ 6,150,413
Unquoted .. .. .	23,230,000	Unquoted .. .. .	19,260,000
	36,206,047		25,410,413
Profits on realisation of Investments .. .. .	272,759	Losses on realisation of Investments .. .. .	—
Interest and Dividends .. .. .	3,462,332	Interest and Dividends received (gross) .. .. .	3,290,777
Book Value of Investments and Interest Accrued at beginning of year .. .. .	71,671,301	Book Value of Investments and Interest Accrued at end of year .. .. .	82,911,259
	<u>£111,612,449</u>		<u>£111,612,449</u>



## ABBEY NATIONAL BUILDING SOCIETY

## 5. REVENUE AND APPROPRIATION ACCOUNT

	£
Management Expenses:—	
Directors' Fees .. .. .	25,000
Remuneration and Travelling Expenses of Staff and Auditors .. .. .	1,533,699
Office Accommodation and Expenses .. .. .	367,795
Printing, Stationery, Postages and Telephones .. .. .	269,022
Advertising .. .. .	207,739
Commission and Agency Fees .. .. .	278,943
Bank, Legal and Professional Charges .. .. .	12,045
Sundry Expenses .. .. .	25,010
Total Management Expenses .. .. .	2,719,253
Valuation Fees and Expenses payable to Directors .. .. .	—
Other Valuation Fees and Expenses .. .. .	491,349
Interest on Deposits and Loans (not being Loans from Bank) .. .. .	2,095,950
Interest on Loans and Overdrafts from Bank .. .. .	—
Losses on Mortgages .. .. .	1,761
Depreciation:—	£
Office Premises .. .. .	14,939
Equipment .. .. .	63,390
Supplementary Pension Fund Contributions .. .. .	78,329
Income Tax for the year of assessment 1963/1964 .. .. .	140,875
(the Society's assessment is based on the accounts for the current year)	7,623,088
Profits Tax for period ended 31st December, 1963 .. .. .	539,231
Interest to Shareholders for period ended 31st December, 1963 .. .. .	15,618,034
Balance carried down .. .. .	2,005,214
	<u>£31,313,084</u>
Appropriation to General Reserve .. .. .	2,250,000
Transfer to Mortgage Losses Provision .. .. .	200
Balance carried forward .. .. .	564,368
	<u>£2,814,568</u>

	£
Interest on Mortgages .. .. .	26,535,198
Other amounts paid by borrowers as consideration for Advances .. .. .	—
Interest and Dividends from Investments .. .. .	3,462,332
Bank Interest .. .. .	94,602
Rents and other income from letting Office Premises .. .. .	107,674
Valuation Fees and Expenses .. .. .	531,632
Other Fees—Registration and Transfer .. .. .	13
Commission (Fire, Life, etc., Insurance) .. .. .	577,928
Interest on Post-War Credits .. .. .	3,319
Mortgage Losses Recovered .. .. .	386
Balance brought down .. .. .	2,005,214
Balance brought forward from last year .. .. .	536,585
Profits on Realisation of Investments .. .. .	272,769
	<u>£2,814,568</u>

## 6. BALANCE SHEET AS AT 31st DECEMBER, 1963

	£
Due to Investing Shareholders (classified in Schedule No. 6, Section "A") (as per Account No. 1) .. .. .	477,202,800
Advances from H.M. Government (as per Account No. 2 (a)) .. .. .	18,202,920
Deposits and Loans, not being Loans from Bank, (classified in Schedule No. 6, Section "B") (as per Account No. 2 (b)) .. .. .	36,539,018
Loans and Overdrafts from Bank (as per Account No. 2 (b)) .. .. .	—
Other Liabilities:—	£
Income Tax .. .. .	6,406,118
Profits Tax for period ended 31st December, 1963 .. .. .	539,231
Sundry Creditors .. .. .	405,987
	7,351,336
General Reserve and Balance carried forward:—	£
General Reserve .. .. .	19,250,000
Balance carried forward (as per Account No. 5) .. .. .	564,368
	<u>19,814,368</u>

	£
Balance due or outstanding on Mortgages, excluding prospective interest (classified in Schedule No. 7) (as per Account No. 3):—	
From bodies corporate .. .. .	2,512,561
From persons other than bodies corporate where total indebtedness exceeds £5,000 .. .. .	6,285,539
Others .. .. .	451,424,992
Total .. .. .	460,223,092
Less provision for anticipated losses on Mortgages .. .. .	3,400
Mortgage Assets .. .. .	<u>460,219,692</u>
Investments (classified in Schedule No. 8) (as per Account No. 4):—	£
Quoted:—	
Final redemption date in not more than 5 years .. .. .	26,832,646
Others .. .. .	15,658,595
(Market Value £43,913,562) .. .. .	42,491,241
Unquoted:—	
Repayable in not more than 6 months .. .. .	39,567,000
Repayable in more than 6 months .. .. .	—
Interest Accrued .. .. .	853,018
Total Investments .. .. .	<u>82,911,259</u>
Cash:—	
On Deposit and Current Accounts at Banks .. .. .	10,950,648
In Hand .. .. .	390,241
Office Premises at cost, less depreciation (including £327,568 in respect of leasehold premises with less than 50 years to run) .. .. .	3,871,206
Equipment at cost, less depreciation .. .. .	597,078
Post-War Credits .. .. .	123,346
Sundry Debtors .. .. .	46,972
	<u>£559,110,442</u>

Note.—The Society is liable under contracts in respect of capital expenditure for a total amount of £178,625 not provided for in these accounts.

£559,110,442

## CITY NOTES

**W**ITHOUT the support provided by the continued receipt of encouraging industrial company news, the stock-market's performance would currently be reflecting a not inconsiderable selling force. High profits and dividends by front rank companies are still performing their underpinning function at a time when some quite powerful investors are quietly unloading low yielding equities.

While the smaller operator is still finding the itch to buy, institutional investors see temporary improvement in prices as an opportunity to sell. The institutional accent is currently on yield both in the fixed interest and equity ends of the market.

Many London stockbrokers are continuing to advocate 'liquidity' to a greater or lesser degree with clients urged to have in their portfolios a higher proportion of fixed interest stocks than is normally considered desirable.

The equity market has been performing in 'double tops' in terms of the leading share indices ever since last November. At present the market is sliding back from the April peak and is expected to slide back further.

It does not necessarily follow that institutional investors are entirely ignoring the equity market but their buying of equities is essentially on an extremely selective basis with the support of rights issues providing a medium for equity switching operations.

**F**OR the Stock Exchange itself and for the public at large there is a major point of interest in the indication - tucked away quietly in the London Stock Exchange's annual report - that the Stock Exchange may yield to Government pressure to provide turnover figures.

The report - clearly giving the Stock Exchange

Council's views - says that the time is probably not far ahead when some measure of the volume of the business undertaken in the market will be required by the authorities.

Provided turnover figures do not disclose information vital to members' business - which presumably means the exact turnover of a jobbing firm, for example - and does not prove an intolerable burden in compilation there seems to be no reason, the Council admits, why the Stock Exchange should not comply with the view of the authorities on this point as the House has complied with them on other matters.

Mechanized accounting is such a feature in stock-broking nowadays that it is difficult to see just how the provision of a turnover figure could prove an intolerable burden. As things are now, the recorded number of bargains for the Stock Exchange *Daily Official List* is the only indication of business volume. But the recording of bargains for the *List* is not compulsory.

**M**OST insurance company chairmen are currently indicating that insurance premiums, particularly on fire and accident account, will have to go up sooner or later. Lord Knollys, chairman of Northern & Employers Assurance, describes such a move as an inevitable necessity.

The fire account position, believes Lord Knollys, must lead to higher premiums and he does not consider that the efforts of bodies concerned with the problems and hazards of fire in the home and in industry will have much effect unless those efforts are much better co-ordinated than they are at present.

This year insurance companies will have higher premium income as a result of the motor insurance premium increases introduced last autumn.

## RATES AND PRICES

*Closing prices, Wednesday, May 13th, 1964*

**Tax Reserve Certificates:** interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 <sup>31</sup> / <sub>16</sub>	Frankfurt	11.12 <sup>1</sup> / <sub>16</sub>
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 <sup>3</sup> / <sub>16</sub>	Milan	1749 <sup>3</sup> / <sub>16</sub>
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.12 <sup>1</sup> / <sub>16</sub>	Oslo	20.00 <sup>1</sup> / <sub>16</sub>
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.32 <sup>3</sup> / <sub>16</sub>	Paris	13.71 <sup>1</sup> / <sub>16</sub>
				Copenhagen	19.33 <sup>3</sup> / <sub>16</sub>	Zürich	12.08 <sup>1</sup> / <sub>16</sub>
Treasury Bills				Gilt edged			
March 6	£4 6s 0.42d%	April 10	£4 6s 0.25d%	Consols 4%	65½	Funding 3% 59-69	90 <sup>7</sup> / <sub>16</sub>
March 13	£4 5s 11.85d%	April 17	£4 6s 0.41d%	Consols 2½%	41½	Savings 3% 60-70	87 <sup>1</sup> / <sub>16</sub>
March 20	£4 5s 11.94d%	April 24	£4 6s 0.47d%	Conversion 6% 1972	105½	Savings 3% 65-75	79 <sup>1</sup> / <sub>16</sub>
March 26	£4 6s 0.41d%	May 1	£4 5s 11.91d%	Conversion 5½% 1974	98½xd	Savings 2½% 64-67	93 <sup>3</sup> / <sub>16</sub>
April 3	£4 6s 0.12d%	May 8	£4 5s 11.47d%	Conversion 5% 1971	99½	Treas'y 5½% 2008-12	91 <sup>3</sup> / <sub>16</sub>
				Conversion 3½% 1969	92 <sup>3</sup> / <sub>16</sub>	Treasury 5% 86-89	87 <sup>1</sup> / <sub>16</sub>
				Conversion 3½%	57	Treasury 3½% 77-80	76½xd
				Funding 5½% 82-84	97 <sup>1</sup> / <sub>16</sub>	Treasury 3½% 79-81	76½
				Funding 4% 60-90	93	Treasury 2½%	41½
				Funding 3½% 99-04	65	Victory 4%	97½
				Funding 3% 66-68	91½	War Loan 3½%	56 <sup>1</sup> / <sub>16</sub>
Money Rates							
Day to day	3½-4½%	<i>Bank Bills</i>					
7 days	3½-4½%	2 months	4½-4 <sup>1</sup> / <sub>16</sub> %				
<i>Fine Trade Bills</i>		3 months	4½-4 <sup>1</sup> / <sub>16</sub> %				
3 months	5½-6%	4 months	4½-4 <sup>1</sup> / <sub>16</sub> %				
4 months	5½-6%	6 months	4½-4 <sup>1</sup> / <sub>16</sub> %				
6 months	6-7%						

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## The Practitioner Inquiry

SIR, — The lack, within this country, of realistic and transferable pension rights, has recently been the subject of a good deal of comment. It is argued that lack of an adequate pension to look forward to causes people either to stay on too long, or to worry, and thus lose efficiency as retiring age nears. It is further argued that inability to transfer pension rights makes for difficulty and hardship for men over the age of 45.

Against this background it is interesting to note in paragraph 459 of the English Institute's report on its practitioner inquiry that only 39 per cent of the 1,959 firms reviewed operate a pension scheme. It would also be interesting in any further investigation to find out what proportion of these pension schemes are transferable, and how many are realistically geared to final rather than to average salary.

Yours faithfully,

Chislehurst,  
Kent.

G. D. NEELY, A.C.A.

## Company Profits: New Accounts Basis

SIR, — Now that the Government is considering a change in the basis of arriving at assessments of company profits, it may be of interest to refer to a condition which at present has a major influence on the total taxation assessments of a company over the years. I am prompted to comment by a reference in the article in your issue of May 2nd, to the fact that it can only be by coincidence that the total profits equal the aggregate of the assessments made on them.

I think it may be accepted that most company managements confidently expect the trend of their profits over a period of years to be an upward one; this would occur from the normal growth of a healthy company even in the absence of inflation, but when this is also at work, profits will grow in money terms if not in real terms. Given these assumptions it follows that on the present basis of assessments a company is wise to choose as early as possible a balancing date in the fiscal year. If a fairly steady rate of growth is assumed it could easily be shown that the difference between the actual profits earned and the profits subjected to income tax will lie in the company's favour to the approximate extent of the difference between the profit in the early years and that in the closing years. Over a long period, of course, this could be very considerable.

Yours faithfully,

Newcastle upon Tyne. F. S. WOODWARD.

## Diploma in Management Accounting

SIR, — On page 14 of the recently circulated booklet on the joint diploma, the penultimate paragraph states that 'the experience required will be such as to make it unlikely, though not impossible, that a candidate who has not had experience of manufacturing, either as a financial executive or as a consultant, will obtain the award'.

This statement appears to be a much narrower view of 'management accounting services' than the definition at the top of page 2 of the booklet.

Manufacturing is not the only field in which highly-skilled techniques of management accounting are necessary; indeed there is a tremendous need of these skills in commerce — or 'non-manufacturing' concerns.

It seems absurd to limit the joint diploma in this fashion and create a privileged class of accountants to the detriment of those engaged in commerce, who nevertheless have to practise management accounting skills.

Furthermore, this insistence that a candidate must have had experience of manufacturing might have the undesirable effect of reducing the supply of qualified accountants willing to enter commerce, in the knowledge that should they wish to become a candidate for the joint diploma, commercial experience may be regarded as unsuitable.

By putting forward this scheme for a joint diploma, the accountancy bodies have, in effect, admitted that the present-day training and examinations of article clerks are inadequate, and this is the field in which they should consider urgently new training methods and a revised examination syllabus.

Yours faithfully,

Bletchley, Bucks.

D. J. SPRUZEN, A.C.A.

## An Auditor's Approach to Sampling

SIR, — I enjoyed reading the article by Mr K. A. Sherwood, A.C.A., on the subject of 'An auditor's approach to sampling' (May 2nd issue). I have studied this subject during recent years and read most of the books and articles that have been published but I remain unconvinced of its value in auditing for the following reasons:

- (1) the advocates of this technique assume that auditors still vouch, post and cast a large volume of records. This is no longer true;
- (2) they require that in the choice of the sample size the auditor states at the outset that he accepts a given margin of error. Auditors should never state that they accept a margin of error;
- (3) they appear to assume that with statistical sampling they are using a magic formula which guarantees the reliability of the audit test;
- (4) they overlook or ignore the trend in modern auditing to replace the old order of vouching, say five hundred invoices by depth vouching twenty invoices;

- (5) they claim that audit clerks can use this method without a thorough knowledge of mathematics. This in effect must mean that a trained statistician must go into each audit and select the sample which the audit clerks then use without understanding.

I would also like to mention that an international firm of accountants discussed the use of statistical sampling as a tool for auditors at one of its recent conferences and the general conclusion was that advocacy of this method stemmed largely from university professors. It was also noted that several of the books published in recent years included the warning that the correct method of applying statistical sampling to auditing had not yet been discovered.

Yours faithfully,  
S. B. J.

### Consolidation in Accounts

SIR, - I should like to thank your reviewer most sincerely for his comments published with my letter in your issue of April 11th.

I agree that it is better to eliminate the unrealized profit in the work sheet of the individual company prior to consolidation but I do not agree with the way he has suggested. Let us take an example. The balance sheet of the holding company is as follows:

Capital, in £1 shares	..	..	..	10,000
				<u>£10,000</u>
4,000 shares in subsidiary, at cost	..	..	..	4,000
Stock	..	..	..	6,000
				<u>£10,000</u>

while the balance sheet of the subsidiary is:

Capital, in £1 shares	..	..	..	5,000
Profit and loss account	..	..	..	1,000
				<u>£5,000</u>
Cash	..	..	..	6,000
				<u>£6,000</u>

Only one transaction has taken place, viz. stock has been bought by the subsidiary company for £5,000 and sold to the holding company for £6,000.

If the stock has to be written down, clearly it must be written down in the work sheet of the holding company. To make any adjustment to the figures of the subsidiary company is to pretend the sale of the stock has not taken place whereas, in fact, it has.

Your reviewer points out that a group of companies

is not a legal entity but in this respect it is no different from a partnership and a consolidated balance sheet should, it is suggested, reflect the interests of the various groups of shareholders in exactly the same way as a partnership balance sheet reflects the interests of the individual partners.

If this is admitted, it surely follows that the amount at which the interest of the minority shareholders must be reflected in a consolidated balance sheet is their proportion of the net assets of the subsidiary company of which they are shareholders, the net assets being taken, of course, at the figures at which they are included in the consolidated balance sheet.

Taking the above example, surely the minority shareholders in the subsidiary company can be shown only at one figure, viz. £1,200? Their interest in the group is one-fifth of the cash owned by the subsidiary company.

A consolidated balance sheet, prepared in the manner suggested by Mr Smolinski, would be:

Capital, in £1 shares	..	..	..	10,000
Minority shareholders in subsidiary company	..	..	..	1,200
				<u>£11,200</u>
Stock	..	..	..	5,200
Cash	..	..	..	6,000
				<u>£11,200</u>

which would appear to be correct.

Yours faithfully,  
B. J. S. WIMBLE.

### Verification of Balance and E.D.P.

SIR, - I have been engaged upon the audit of a main car dealer who pays, from time to time to the manufacturers, deposits in respect of vehicles delivered on sale or return. The amount of deposits at any one time can be considerable. The manufacturers have ceased, as a matter of policy, to issue monthly statements to its dealers.

For the year ended December 31st, 1963, a verification of the balance due to the dealer in respect of these deposits was sought by the auditors, supported by a detailed list showing requisition number, make and amount. The manufacturers replied that they could only give the balance at January 3rd, 1964, and were unable to supply a reconciliation. The difference between the list supplied by the auditors and the balance shown by the manufacturers was £55, which the latter suggest arises from taking balances at different dates.

It appears that the manufacturers employ a com-

puter for accounting purposes and once the accounting date has gone by, no detailed make-up of a balance is available.

I should be glad to have readers' comments on the

audit procedure followed; also any comments on computers in this connection.

Yours faithfully,  
UNRECONCILED.

## Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.*

### **Leiserach v. C.I.R. Bristle and Merchandise Co Ltd v. C.I.R.**

In the Court of Appeal – November 29th, 1963  
(Before Lord Justice WILLMER, Lord Justice UPJOHN,  
Lord Justice PEARSON)

*Income tax – Profits tax – Excess profits levy – Sale of bristles – Whether in course of trade – Whether isolated transaction – Appeal – Witness resident abroad – Whether evidence can be taken abroad – Court of Chancery Act, 1841, section 1 – Companies Act, 1862, sections 138, 162 – Borough and Local Courts of Record Act, 1872, section 2, Schedule paragraph 10 – Supreme Court of Judicature Act, 1873, section 100 – County Courts Act, 1919, section 17 – Supreme Court of Judicature (Consolidation) Act, 1925, sections 18 (3), 24, 99, 225 – Arbitration Act, 1950, section 12 – Income Tax Act, 1952, section 59 – County Courts Act, 1959, section 85 – R.S.C. Order 37, r. 5, Order 54, r. 12 (c), Order 59, r. 43 (2), Order 71, r. 1.*

The appellants were assessed to income tax, profits tax and excess profits levy in respect of a sale of bristles alleged to have been effected shortly after the end of the last war. The appellants contended that the sale was an isolated transaction and was the realization of a capital asset. The respondents contended that the sale was in the ordinary course of trade carried on by the appellants.

The bristles had belonged to the first appellant's father, a Russian citizen who had died. The bristles were shipped from Latvia by a brother-in-law of the first appellant, and the appellants contended that this was in pursuance of a trust imposed by the father, who later was resident in Switzerland. It was stated that he was in ill health and unfit to travel to England but that he could give evidence at Strasbourg. The appellants applied for an order appointing the British Consul at Strasbourg to be a special examiner to take the evidence of the father.

It was contended on behalf of the respondents that

the Court had no jurisdiction to make the order.

*Held* (affirming the judgment of Mr Justice Stephenson): this contention was correct.

### **Chancery Lane Safe Deposit and Offices Co Ltd v. C.I.R.**

In the High Court of Justice (Chancery Division) –  
March 24th, 1964

(Before Mr Justice PLOWMAN)

*Income tax – Profits tax – Mortgage interest – Charged to capital – Whether paid out of taxable income – Income Tax Act, 1952, sections 137 (4), 169, 170 – Finance Act, 1937, section 20, Schedule 4, paragraph 4 – Finance Act, 1940, section 14.*

The appellant paid sums of mortgage interest, and charged them to capital account. The appellant had sufficient taxable income to cover the interest paid.

In an appeal against assessments from 1954–55 to 1958–59, under section 170 of the Income Tax Act, 1952, and against assessments to profits tax, it was contended by the appellant that although the items of mortgage interest in question had been charged to capital in its accounts, these items had nevertheless been paid out of taxable income; and that they were therefore covered by section 169 of the Income Tax Act, 1952, and the appellant was not under any obligation to account, under section 170, for the tax deducted. The appellant also contended that an agreement had been made under section 510 of the 1952 Act for 1955–56, and that therefore the assessment for that year was bad for that reason. In relation to the assessment for profits tax the appellant contended that the items of mortgage interest in question were appropriate deductions in computing the profits for the purpose of that tax.

The Special Commissioners decided that no agreement under section 510 had been made; that the interest was assessable under section 170; and that it was not deductible for profits tax purposes. In the High Court the respondents contended also that the interest could not be deducted for those purposes because it was a capital payment under section 137 (f).

*Held:* (1) the interest was payable out of the taxable income and was therefore covered by section 169, (2) the interest was deductible in computing the appellant's profits for profits tax purposes, (3) there was no agreement under section 510; the profits tax stated case should be remitted to the Special Commissioners on the section 137 (f) point.

# Eighty-third Annual Meeting of the Institute

THE eighty-third annual meeting of The Institute of Chartered Accountants in England and Wales was held on May 6th at Church House, Westminster, London SW1. The President, Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., was in the chair. With him on the platform were the Vice-President, Mr W. G. Densem, F.C.A.; Sir Thomas Robson, M.B.E., F.C.A.; Sir William Carrington, F.C.A., and Mr C. Evan-Jones, M.B.E., Joint Secretary.

**The President:** Ladies and gentlemen, no doubt you will wish as usual to take as read the notice convening this meeting and also the auditors' report. (*Agreed.*) Before I propose the adoption of the report and accounts I would like to mention some of the more important matters with which the Council has been concerned during these last twelve months.

The President then read his prepared address (reproduced in last week's issue), after which he continued: I now propose, and I ask the Vice-President to second, the adoption of the report of the Council and the accounts for the year ended December 31st, 1963, in which provision has been made for an increase in the auditors' fees and which will be the subject of a later resolution.

**The Vice-President:** I have pleasure in seconding that resolution.

**The President:** The resolution has now been moved and seconded and it is now open for any discussion, or any questions members may wish to ask. Would you please give your name when you rise, in order that the record may be correct.

## DISCUSSION

**Mr J. Denza, M.A., A.C.A. (London):** This is a small thing, sir, which in a way should have been raised two or three years ago, but it was not possible to ask any questions as long as the action against the Institute was *sub judice*. I felt a little unhappy at the time to read that someone had been excluded from the Institute for being employed by an organization which was in business as consultants, or advisers in management and costing methods – a business which was to a certain extent dependent on advertising. Clearly this sort of thing is undesirable, but being employed by such an organization is *prima facie* much less serious than, for instance, a case referred to in this year's report of a man who was suspended for a year after he had converted money belonging to a charity and issued a forged balance sheet. Now, sir, obviously I do not know the special circumstances, and no doubt there were plenty, but I should welcome a statement of the principles involved. Do we consider that it is our business to support all other professions in suppressing advertising?

If a member of the Institute were employed by a firm of civil engineers which advertised those services, would he be guilty of disgraceful professional conduct, or do we confine this to professions which are very close to our own, such as this one? Clearly the work done by this organization overlapped with ours and was in competition with some firms. On the other hand, for example, practically every firm of practising accountants does executorship work. I remember a few years ago an advertisement 'Make the Bank your Executor' – one of the big banks put this out. Does this mean that any member of the Institute employed by this bank is guilty of discreditable professional conduct and

deserving of expulsion? To me, at any rate, the principles are not clear and I would welcome a statement explaining them.

**The President:** I will deal with the questions as they come along; I think it will be easier.

The policy of the Council is quite clear on this question of advertising. If I may take the case you quoted of civil engineers; obviously they are advertising engineering work and it has nothing to do with accountancy work. The real test is, are they advertising work which we would normally do in our capacity as practising accountants, and the same applies to banks. We have a director of a bank who is a member of the Institute, but his main function is not doing audits or taxation or whatever else is the work of a practising accountant. One has to have regard to the nature of the business in which our members are employed, and of course, in the case of the company you mentioned, they were definitely setting out to do management accounting in competition with members of our Institute. I hope that has given you some help.

**Mr Denza:** Do I understand that this member was a policy-making employee of the company mentioned? If so, I fully understand – but apart from that I do not feel the principle has really been established.

**The President:** As I understand it, from my recollection of the case, he was actually doing the work, and, of course, as I said before, this organization is doing work which is normally very much in our field. But it is quite different if a member of the Institute is employed by a bank doing executorship work and taxation, which they occasionally do, but which is not their main function.

**Mr E. R. Kermode, A.C.A. (London):** Do I understand that an employee of a professional firm who advertised and suffered the consequences, would also be expelled from the Institute? The same principle seems to apply, unless in this particular case the person had joined the organization previously mentioned wilfully, knowing that they were under a cloud.

**The President:** I think the answer is that a member joining an organization which advertises accountancy work should be fully aware, or he should have been after a week or two there, of the nature of their business. That is as far as we can really take that now.

**Mr Kermode:** The answer to the first part of my question then is that an employee of a professional firm who committed professional misconduct would not be expelled?

**The President:** If he is a member of the Institute, of course, he is subject to discipline.

**Mr S. L. T. Crawford, F.C.A. (Sible Hedingham):** With reference to the President's remarks in reply to the first questioner, one would need to have one's head very much in the sand to think that the banks do not do a substantial amount of executorship and taxation work, or is it the case that the Council do not consider such work as being part of a professional accountant's work?

Secondly, I refer to this question of the issue of assessment notices. It is apparently only to apply to Schedule D notices in connection with trades, businesses and professions – but there is a very wide field now, and a most important field, of Schedule E assessments. Those are much more difficult to keep track of because they are issued at all times of the year, and I think it is very retrograde not to be supplied with Schedule E assessments with the client's author-

ity in the same way as Schedule D assessments. They are of great importance and they cover a substantial field of income.

**The President:** If I might deal with your two questions separately. However much we regret it, we cannot stop banks or any other organizations, for example, solicitors or estate agents, from doing taxation work. We have no power to prevent it, and as long as the Revenue accepts computations from someone other than an accountant we have to accept it. If there is a lot of advertising by banks we take the matter up with them, pointing out that they are competing with accountants, whose business it is and who are not permitted to advertise.

I am glad you made your second point, we will take note of it. As you know we have occasions during the year to make representations to the Board of Inland Revenue, and we will bear your point in mind.

**Mr Crawford:** Mr President, may I protest that your first reply merely dodges the issue. I have not suggested that you can stop banks doing income tax work, but you suggested, sir, that a member of the Institute could not be guilty of unprofessional conduct if he associated with a bank, or was employed by a bank, which is doing that work and which is advertising its services. I think we have a field there in which we can take action.

**The President:** I think we have got to have a sense of proportion as to the amount of work which a bank really does, which is banking and all that implies, and the subsidiary services which it gives to its customers in taxation and trustee work. It would be quite unfortunate and entirely wrong if we were to suspend our members who happened to be members of banking staffs just because they are giving those services. It is quite a different thing when you are dealing with an organization which sets out to do work of the nature which we do, and no other.

**Mr Crawford:** Begging your pardon, Mr President, this is a question of principles giving way to proportion.

**A Member:** I see, Mr President, from a recent list of publications of the Institute available for sale to the general public, it includes the *List of Members* at 15s. Might we know when this started – the offer to sell the *List of Members*, what sort of revenue is received and to what extent discretion is exercised in filling orders received – for example, from direct mail organizations? A lot of us get lots of mail coming through the post, and we want to know how on earth they get hold of our names and addresses. I know the Postmaster-General favours this sort of thing – but I personally do not.

**The President:** I am informed that this arrangement

enabling the public to purchase our *List of Members* has been going on for some years, and the revenue is approximately £200 per annum. We do not know of any specific case where mail order companies have either purchased or got hold of copies.

**The Member:** The point I have in mind, Mr President, is this: if a direct mail order concern did ask for a copy would you refuse to supply it?

**The President:** I think it would be a little difficult to refuse as we advertise them for sale.

**The Member:** Thank you.

**Mr S. Ward, F.S.A.A. (Woodford):** Mr President, my observations and questions refer to paragraph 17 of the annual report, where the numbers of members are quoted. May I firstly, as a non-practising member, say how much – that group of members – appreciate the widening studies and literature issued by the Institute, and the way such things as computer appreciation, and management, and the like are being dealt with by the Institute as a powerful fortifying of our branch of the profession. So, may I follow those congratulatory remarks by reminding the members present of the numbers involved; the fact that we have some eleven thousand practising accountants, and more than twice that number of non-practising members, and, therefore, I ask for your reassurance, sir, that your activities in the general field work, other than perhaps the narrow practising field, will be strengthened and added to in the coming year – and secondly, that your Council will actively consider the widening of its own base by inviting, or otherwise finding a means of increasing, the number of non-practising members on the Council itself.

This I put forward, sir, with no narrow purpose, but with the idea of strengthening the unity of the accounting profession as exemplified in this meeting. I would prefer it to be a single unified group, and it is with that aim in mind that I ask you to deal with the points mentioned.

**The President:** Thank you. I have noted those points. I would like to assure you that we are very conscious of the work which members of the Institute in commerce and industry are doing. As you know we have a committee of the Council, the Consultative Committee of Members in Commerce and Industry, not only consisting of members of the Council but co-opted members, and they give invaluable service in keeping in touch with the requirements of members outside, but I am grateful for your remarks and will note them.

**Mr E. M. Kevehazi, F.C.A. (London):** May I say, as a member of a smallish sized firm myself, how tremendously welcome to us the practitioner inquiry has been. The only



Mr R. P. Winter, President of the Institute (centre) with members of the platform party at the annual meeting. (Left to right): Sir Thomas Robson, Senior Past President; Mr C. A. Evan-Jones, Joint Secretary; Mr Winter; Mr W. G. Densem, Vice-President; Sir William Carrington.

point of criticism we have found is the basis of the analysis, i.e. that the actual criterion is the number of partners per firm. This I suggest may in many cases be somewhat misleading, and my question is whether it would be possible now that the cards are there to re-analyse on some occasion either by gross fees or possibly by number of qualified or ordinary staff. This could possibly give a better basis of comparison than strictly the number of partners, which is not necessarily indicative of the size of a firm, but possibly represents policy and/or financial considerations.

**The President:** Thank you. Well, as you know, this report is up for consideration by the Council. We welcome any suggestions which are made, and yours will be taken into account. There will be a committee sitting in the weeks to come to see what action we should take, and we welcome any comments which members may like to give personally, or through their district societies. Thank you.

**Mr B. J. M. Boys, F.C.A. (London):** Last year I made a suggestion as to the treatment of the deficiency in the accounts. As your predecessor, sir, gave me to understand – and the meeting to understand – that the deficiency in 1963 would be a lot bigger than in 1962, I eagerly awaited the result of the consideration of the suggestion that I made. I must say, sir, that I was disappointed to find a net surplus. Then I began to look at the figures, and I came to the conclusion that the Chairman of the Finance Committee had derived as much benefit from the study of Machiavelli as he had from Pacioli. I felt that he had taken note of my views and had been busy filling the hole before he showed it, rather than revealing it in all its naked beastliness. This is an observation more than a question but sometime or other I would like to have an authoritative reply to the suggestion I made.

**The President:** I think the answer is, as I indicated, that we are going to present the accounts in what I hope will be a much more informative way, and they will, no doubt, cover some of the points you have in mind.

Well, gentlemen, I think we have had some very interesting questions, and I hope I have been able to give some of the answers. The resolution has been proposed and seconded. I will now ask those in favour of the adoption of the report and the accounts for the year 1963 to indicate by showing their hands. Thank you. To the contrary? I declare the motion carried.

I now have pleasure in moving a resolution confirming the appointment of one member of the Council to fill a vacancy arising since the last annual meeting. The member's name appears in paragraph 8 of the report, and it is Mr Rupert Walton, T.D., F.C.A., of Leeds. I will ask the Vice-President to second the motion.

**The Vice-President:** I have much pleasure in seconding that motion.

**The President:** Will those in favour of the resolution show? To the contrary? Thank you. I declare Mr Walton duly elected.

Now, the following eleven members of the Council retire under bye-law 5 and are eligible for re-election. The names of the members in practice (other than the Society's appointed members whose position is governed by clause 18 of the Scheme of Integration) have been referred to the district societies concerned and no other nominations have been received. I therefore declare the eleven members re-elected in accordance with bye-law 8. They are: Mr Joseph Howard Bell, B.A., F.C.A., Manchester; \*Mr William Wallace Fea, B.A., F.C.A., Smethwick; \*Mr Stanley Dixon, M.A., F.C.A., Birmingham; Mr John Godfrey, M.A., F.C.A., London; Sir Sydney Harold Gillett, Bt., M.C., F.C.A., London; \*†Mr Leonard Cecil Hawkins, C.B.E., F.C.A., Richmond, Surrey; †Mr James Stanley Heaton, F.C.A., Keighley; Mr Walter Edmund Parker, C.B.E., F.C.A., London; Sir Thomas Buston Robson, M.B.E., M.A., F.C.A., London; Mr Alfred Gordon Thomas, F.C.A., Sheffield; Mr Mark Wheatley Jones, B.COM., F.C.A., Manchester.

\*Denotes members not in practice.

†Denotes 'Society's appointed members'.

The next resolution concerns the appointment of the auditors and the fixing of their remuneration. Under bye-law 118 Mr L. W. Bingham and Mr Leonard Pells retire but are eligible for reappointment. Now, may I have a proposal from one of our members?

**Mr G. L. Aspell, T.D., D.L., F.C.A. (Leicester):** Mr President, ladies and gentlemen, feeling a little like a poacher turned game-keeper I have pleasure in proposing:

"That the remuneration of the auditors for 1963 be increased to £1,750 and that Mr L. W. Bingham, F.C.A., and Mr Leonard Pells, F.C.A., be reappointed auditors at a fee of £1,750 for 1964."

**The President:** Thank you. May I have a seconder?

**Mr F. E. Proom, F.C.A. (Newcastle upon Tyne):** Mr President, ladies and gentlemen, I have much pleasure in seconding that resolution.

**The President:** Thank you. Will those in favour of the resolution please raise their hands? To the contrary? Thank you. I declare the resolution carried.

As you will have seen in paragraph 5 of the notice convening the meeting, a notice has been received from Mr B. V. Piggott, F.S.A.A., supported by forty-five other members of his intention to submit a motion, and I would now like to call on Mr Piggott to address us.

**Mr B. V. Piggott, F.S.A.A. (Ipswich):** Mr President, I should like first to describe to this meeting how the problem relating to incorporated accountants arose. You will be well aware how the Institute was created by Royal Charter in 1880 on the Petition of certain accountants in practice. In 1885, a small number of practising accountants, together with certain municipal and county treasurers and accountants formed 'The Society of Accountants' under the Companies Act, 1867; the title was changed twice subsequently and became, eventually, 'The Society of Incorporated Accountants'.

After the initial arrangements, admission to both bodies of accountants was by examination. The Institute required, in addition, that an applicant for membership should normally have served articles with an accountant in practice in the United Kingdom for five years. The Society, however, had admission requirements which were more liberal in three respects:

- (1) Bye-law candidates would be accepted subject to six years' approved experience in the office of a public accountant.
- (2) Either articles could be served or approved experience obtained in the office of a municipal or county treasurer or accountant.
- (3) Experience could be obtained either in the United Kingdom or elsewhere within the British Commonwealth of Nations.

#### *Integration Scheme*

This, then, was the background when integration was proposed in December 1956. The Councils of the Institute and the Society were of the opinion that it was desirable to take a substantial step towards the unification of the accountancy profession in England and Wales by the merger of these two bodies within the Institute of Chartered Accountants. As you are aware, this took place in 1957.

The acceptance of the integration scheme by the members of the Society was made difficult by the inclusion of a provision, at the insistence of the Council of the Institute, that the designation 'Chartered Accountant' should be restricted to those members of the Society who either had obtained their qualifying experience within the office of a practising accountant in England and Wales, or were at the date of the publication of the Scheme in practice in England and Wales. The other members of the Society would be accepted as members of the Institute, but required to retain the title 'Incorporated Accountant'.

#### *Incorporated Accountant Members*

Let me tell you something about these 'other members', who totalled 2,065 when integration was proposed. Rather



more than half of these were in the public service of whom over five-hundred were either County or Borough treasurers, deputy treasurers, or those holding equivalent posts in nationalized undertakings. The Council of the Society applied rigorous principles in assessing the experience obtained by accountants in the public service and we regarded it as a significant step when we were allowed to sit for the Society's examinations.

The overseas members are nearly all members of the local body of accountants in the country in which they are resident. About six hundred of these sat in their own country for the examinations of the Society, whereas about three hundred and fifty travelled to England for the purpose.

Nearly all of these public service and overseas members joined the Institute in 1957 and have remained members. In addition to the high offices obtained in local authorities, public boards and government departments, further evidence of their professional standing is provided by the way in which several incorporated accountant members have been elected to office in district societies or branches.

#### *Use of the title 'Incorporated Accountant'*

This cumbersome title 'Incorporated Accountant member of the Institute of Chartered Accountants' is a constant problem, causing confusion in the mind of the public. It is generally assumed that all incorporated accountants became chartered, so that no advertisements appear for 'Incorporated Accountants' and borough treasurers have to explain to councillors that although members of the Institute they cannot describe themselves as 'Chartered Accountants'. Even the Institute has been known to refer to 'Chartered Accountants' when it means both categories.

Although I am sure it was not the intention of the Council of the Institute, this inevitably creates the impression that we are in some way inferior to the other members or obtained entry via a 'back door'. The separate, virtually unknown, designation bears particularly harshly on the small numbers in practice or industry.

#### *Movement to grant Incorporated members 'Chartered' status*

The movement in favour of granting incorporated members the designation 'Chartered' has gathered momentum since 1957 and there is a strong body of opinion within district societies in favour of a change. This view has been expressed at district society conferences and the subject has been studied recently by a committee of the Institute. It was, therefore, surprising and disappointing to receive the statement issued by the Council on March 10th, 1964.

At the annual dinner of the East Anglian Society in April, the Vice-President of the Society expressed the hope that the designation of the present incorporated members would be changed to that of 'Chartered' and you will recall, Mr President, the encouraging response from those present. I am hoping that there is a sufficiently strong body of opinion within the Institute membership to ask the Council to think again on this point.

#### *Basis of Motion*

My motion may be considered in two parts. The first part refers to the question of title, which could be described as our basic problem. It might be possible to grant the title 'Chartered' to those in the public service but this would not help those at present in practice or the few who might at some time in the future wish to exercise their right to enter practice, and it is for this reason that the second part becomes important.

It seems to me that the only satisfactory course is to place all incorporated members in the same position as chartered members in industry. We have all had a thorough training in accountancy and been carefully vetted by the Council of the Society. The few likely to enter public practice cannot possibly embarrass the chartered members at present in practice.

#### *Conclusion*

This, Ladies and Gentlemen, is my case, I suggest that in removing this distinction the Institute would eliminate

confusion in the mind of the public and enhance the prestige of the Institute by a generous gesture on a *once only basis* which would not cause it any harm. Incorporated accountant members are already a credit to the Institute and the position can be improved by completing the process of integration in this way.

Since I gave you notice of this motion, Mr President, the proposal to introduce proxy voting has been announced. I am aware that the present procedure for taking a poll of members costs the Institute about £6,000 and I have considered whether there be a means to obtain an expression of views from all members on this subject without incurring such an expense.

I should be grateful, Mr President, if you would allow discussion to take place on this motion today but permit me to withdraw it from the vote. I will then re-submit the motion, either in its present form, or possibly modified, for voting by proxy next year. May I be bold enough to hope that the Council will again consider the matter during the coming year and reach a different decision. (*Applause.*)

**The President:** Thank you, Mr Piggott. Now, would any other member like to speak on this subject? Mr Piggott, as you know, has indicated that he is not going to move the resolution at this meeting, but he hopes there will be an opportunity for discussion, and I am very happy to give members this occasion to express their views.

**Mr E. R. Kermode, A.C.A. (London):** I would like to make two small points. I qualified as incorporated; I became chartered by virtue of three years, I might say, extremely modest service with a firm of chartered accountants, so I am considered fit to be a chartered accountant, but Mr John Airsforth, of Liverpool, is not.

The other thing is that the Council, I think, was quite correct to insist on this service at the time of integration, in so far as they would not offer the description 'chartered accountant' as an inducement to come in. In other words, you integrate for the benefit of the profession and accept this disability; if you do that, it is a good thing. I do not think that any longer applies. The decision has been made, the disadvantage has been accepted at the time, and now I do not see that any harm would come by saying 'Right, you have accepted the disability; we will no longer insist upon it.' (*Applause.*)

**Mr G. E. Tickner, F.S.A.A. (Worthing):** Mr President, I am one of a very small minority who is in practice as an incorporated accountant. You may call it foolhardy or worse, but I do not think it is criminal. I would just like to say how real are the hardships on someone such as myself in practice. Firstly, the question of getting staff is more tricky because one cannot take articled clerks, and there is considerable confusion among clients and possible clients because we are called 'incorporated accountants'. For example, my bank manager was telling me that he would like to recommend me to clients, but when somebody says, 'He is not a chartered accountant', I have lost him. Solicitors, and other people too, are not aware of the distinction, and it does make life a real financial hardship. Whether it is a matter of fees, I do not know – that is already a bit of a rat race anyway, so I would not like to comment on that.

You may well say that there was an escape clause, if one might call it that, put into the Scheme of Integration whereby one could take employment or partnership for three years. Well, employment – particularly if one has already been in partnership, as I was, overseas, on the appointed day – could well mean, and does mean not only a loss of status, but considerably reduced earnings. Partnership sounds very well in theory, but it is not so easy in practice, because, I might say, probably half the firms in practice as chartered accountants would not be happy about changing their title to 'Chartered and Incorporated'. That is fair enough. Of the other half, probably a large proportion are not those with whom one would want to be in partnership. That cuts both ways. And, if you did find a firm which was suitable in all ways, I think it is true to say that your negotiating power is considerably cut down because of this, shall I say, inferior and misunderstood situation in which I

personally find myself; a situation which, I might say, is not helped by the complete absence of any reference in publications or speeches or announcements made by the Institute to incorporated accountant members. There was a publication, *See a Chartered Accountant*, which again made life rather tricky. If the Institute had been prepared to issue another one, 'See a Chartered Accountant - and Tickner & Co, Worthing', I would have been happy (*laughter*), but I am afraid that was not done.

I said that one may be a little foolhardy in being in practice on one's own. So much has been written and said about the problems of the small practitioner and the one-man practitioner than ever before by the Institute itself. One reads these days that one is rather the salt of the earth, if one might say so, but the salt rather tends to lose its flavour when one experiences the things that I have tried to describe. I cannot help feeling now, Mr President, rather like that central figure in that rather well-known advertisement of the three people sitting in the tube. (*Laughter.*) I would hope that the Council during the coming year could consider this question and look with some more sympathy on what is just not a question of status, but what could be a question of real financial hardship. (*Applause.*)

**Mr J. E. V. Green, F.S.A.A. (Waltham Cross):** Mr President, I am an incorporated accountant member of the Institute. I was one of a very small number of incorporated accountants who left the local government service and went into industry and commerce, relying on a qualification which at that time was fully recognized, and which was held by thousands of others in similar circumstances. Roughly all these others are now chartered accountants, and in this circle 'incorporated accountants' are just not recognized. This has completely taken away the professional standing on which we rely on taking these appointments and which I am sure we could have expected to have been maintained. Last year we suffered a further indignity when the Council issued this booklet *See a Chartered Accountant*, which lists all the functions which I am carrying out in my company at present, and in effect tells people that if they need these services, they ought to have a chartered accountant. Nowhere in the booklet is the incorporated accountant mentioned at all.

Sir, in discussing this position with other members of the Institute, I find that our situation is not very well understood. I find it hard to believe that if the majority of members of this Institute fully understood the situation of the incorporated accountant member, they would not wish to take some steps to change it.

In conclusion I would also ask the members of the Council to try to look at our position and try to see if they could disabuse us of the strong sense of injustice that they would certainly feel if they were in similar circumstances. I do hope, sir, that the Council will find some means of reconsidering their views on this subject. (*Applause.*)

**Mr E. M. Kevehazi, F.C.A. (London):** Mr President, I am not an incorporated accountant but I would like to speak in this discussion. I think it is very easy to speak about 500 members or 1,000 members, but I would like to speak about one member, which always brings a case that much nearer. One of my partners is an incorporated accountant member of the Institute. Apart from this he is a chartered accountant (South Africa), he is a Bachelor of Commerce and he is a cost accountant. He has been in practice for eight years, and yet he is not considered fit to take articled clerks, and he is not considered fit to be called a chartered accountant member of this Institute. It is obviously quite impossible to try to explain to people that C.A. (S.A.), and all the other letters add up to a chartered accountant. I see personally no justice or justification in excluding people of this calibre. The position, as I understand it, is similar to that of the badly drafted Finance Bill, because there are so many complications and so many restrictions that this particular gentleman has been advised on inquiry, that there is a specific exclusion in the Scheme of Integration whereby he is not permitted at any time to become a chartered

accountant without taking further examinations. Obviously, for someone who has an examination record of this type it is quite ludicrous. I am raising this particular incident as an example of the sort of nonsensical extent to which this sort of situation can lead.

I would further add that, if my information is correct, there are only some thirty incorporated accountants in practice in the whole of the United Kingdom, and yet this is a special minority within a minority, and it is this type of sub-division which, I think, causes a great deal of harm to the profession. (*Applause.*)

**Mr C. M. Spenceley, A.S.A.A. (Ware):** Mr President, may I add a few words to Mr Piggott's remarks, which might clarify the situation somewhat. At one interview I attended, I was asked to outline my professional qualifications - quite properly - and I said that I was an incorporated accountant member of the Institute. One of the ladies turned round and said 'Why does not that man go away and qualify properly?'

**Mr E. A. Palmer, F.S.A.A. (London):** May I mention one aspect of which the Council may not be aware, and that is the London Government Act, 1964, under which the eighty-eight local authorities in the next eleven months become thirty-two. There are important consequences for eighty-eight treasurers, their deputies and a large number of senior professional accountants. In the broad sense this does not concern this Institute, but - and I do not know the exact number - I have compiled a list of sixty members of this Institute who will be facing that situation. Two of them are chartered accountants and the other fifty-eight are incorporated accountant members.

Now, Mr President, up to 1957, those of us who were incorporated accountants could face the world and say, 'Well, if the worst comes to the worst, we have a qualification which is honoured, accepted and recognized in industry, in commerce, and in practice'. That, I am afraid is no longer the case, and therefore our position is worse than that of our colleagues with qualifications in the legal field, the medical field, the architectural field and the engineering field where they can with the greatest of ease move from local government into other spheres.

Mr President, in the Council's recent statement on incorporated accountant members, the words 'fundamental principles' occur four times. I put it to you, sir, that there is one fundamental principle which perhaps has been overlooked, and that is the principle of justice. I need not pursue this matter. I am sure the Council will now need no persuading or bullying to recognize it. (*Applause.*)

**The President:** Gentlemen, just before you speak I think we will have to keep an eye on the clock, because there is still quite a lot of business with the special meeting. I just mention that so that everybody will keep their remarks as short as possible.

**Mr W. H. Stephens, F.S.A.A. (Bexleyheath):** The later speakers, sir, have been by profession incorporated accountants, and it might so happen that before you now, Mr President, stands one who could have stopped the Scheme of Integration in its tracks. Sometimes things like that happen in life, but I would for a moment draw your attention to this point, that at the time of the integration, I wrote in some perturbation to the Secretary of the Institute, and to my surprise he asked me to come up and see him and meet him for interview. As I say, sir, it was to my surprise, for although I had been in full-time practice for nearly ten years as a public accountant having my own office, for personal reasons I had given up full-time practice and had taken an appointment.

Now, I would not have thought, Mr President, that I was worth a lot, but somehow the Secretary spent one hour and twenty minutes with me, and the upshot of it was that I bowed to the fact that I would take in the society of this Institute a lower form of professional status. About a couple of years later out of the blue I suddenly received an application from a young man asking me for articles - so I referred him to the President of the Institute, and pointed out in

writing that I was no longer able to take on articulated clerks, and just inquired why it was that he had written to me. The young man wrote, 'I was of the opinion that after the take-over you incorporated accountants would be allowed equal status with chartered accountants'.

Well, sir, that was the impression of this young man, and I felt very sore about it. To my surprise, Mr President, another young man later wrote to me – that is twice that I have had my nose rubbed in the dirt. All I want to do at this stage Mr President, is to refer you, on page 18 and page 19 of your report, to Mr W. H. G. Cocks, C.B.E., Mr J. Ainsworth, C.B.E., J. W. Hough, O.B.E., Dr A. M. Marshall, C.B.E., and Sir Herbert Pollard, C.B.E., and to remind the members present that these are people of eminence who have been honoured by the Sovereign, who are of international status, and yet according to this Institute rank lower than the newest qualified articulated clerk. Thank you, sir. (*Applause.*)

**Mr W. E. Bason, F.C.A. (Hitchin):** Mr President, I am a chartered accountant; I am also an incorporated accountant. I qualified first as an incorporated accountant and then as a chartered accountant. We have heard this morning a great deal of the difficulties as explained by local government officers, incorporated accountant clerks and industrial accountants of the incorporated class and I think that despite the factor of time, it would be good to hear some of the views of the chartered accountants who qualified as chartered accountants, and not through this integration scheme. Having been enrolled in the Institute in 1957 I was able to attend district society meetings and parent meetings and take part whole-heartedly in supporting the Scheme of Integration, because I realized it was the right step to take. I have had the pleasure of listening to Mr Piggott at the incorporated society's meetings, and also Mr Green, and I can appreciate their difficulties. I spoke there and pressed my own views that this scheme should go through, and as a previous speaker said here today, it rightly went through despite the fact that it would create, or did create, this unfortunate small class of incorporated accountants within our midst. I, like others, might have been influenced as incorporated accountants by the very knowledge that, according to the Institute, of the flow of candidates to the Society one-half came from chartered accountants' offices. Further, during the three years prior to 1957 only twenty-six, twenty-four and eleven candidates came from local authorities, as registered in the Society's books. Therefore, the Society was faced with an extremely difficult decision for the future. Even from that angle alone, integration was absolutely vital and essential, but I do recall Mr Lawson saying at one of the meetings that it was almost impossible for any reasonable person studying the history of things during the last decade in effect to see any real difference between chartered accountants and incorporated accountants having regard to the changed social conditions other than this one thorny question – that the chartered Institute would only permit qualification through articles and experience in a chartered accountant's office.

I am very, very sorry to hear this morning how this unfortunate class do feel a sense of inferiority, and that out of the marriage which took place between the Society and the Institute they are really the Cinderella members of that family, and I do plead with the Council to give this matter every consideration to try to get over this difficulty and so embrace this unfortunate class within our midst in the full designation of chartered accountants. I do not underestimate the importance of the Institute's principle of service and training in the office of a public accountant – but may I just add one word there and ask the Council to consider the word 'normal'. Bring the word 'normal' in – that 'it is right and proper that that should be the normal procedure,' but surely with this small class we can now admit them after this period of five, or seven, years since this went through.

I was going to say other things, but I will not now in the light of the fact that Mr Piggott is not going to press the resolution at this stage – but I hope that the Council will

take it back in their midst for consideration. Thank you, Mr President.

**The President:** Well, gentlemen, I am afraid we have to close down the discussion on this particular item because we have to be out of this hall by 1 o'clock.

Mr Piggott has said that he wishes to withdraw his resolution. In these circumstances and in view of the statement issued by the Council to all members I propose to let the matter rest. The views expressed have been noted; a verbatim report will appear in the professional Press; and, Mr Piggott, we assure you that you will have every opportunity, if you so wish, to bring this subject forward at the annual meeting next year. We will help you with the issue of any statement you may wish to make.

That, ladies and gentlemen, concludes the business on the agenda of the general meeting.

### SPECIAL MEETING

We will now, with your permission move to the special meeting. Here again, you will no doubt wish to take the notice convening the meeting as read (*Agreed*).

This special meeting is for the purpose of considering and, if thought fit, passing in accordance with clauses 25 and 30 of the Supplemental Royal Charter the resolutions numbers 1–5 set out in the agenda. The main purpose of the resolutions is to amend the Supplemental Royal Charter and bye-laws to enable the Institute:

- (1) to implement the Council's intentions relating to schemes for a Certificate in Management Information and for a Joint Diploma in Management Accounting Services;
- (2) to introduce a system of proxy voting in place of the present postal ballot procedure and to increase, in accordance with the current requirements of the Privy Council, the minimum period of notice for convening meetings of the Institute.

I would ask that members who wish to speak on these resolutions should try to be as brief as possible. Thank you.

**Mr C. M. Carr, F.C.A. (Watford):** Many of us, I am sure, will be fully in support of the concept of developing management accounting. There is just one small point I would like to raise, and I would like to put it in the form of a question. Would the Council, sir, welcome a new enthusiastic and untried professional body using the designation J.Dip.F.C.A.? If not, might I suggest that we look carefully before we encourage the use of the letters J.Dip.M.A. In the future we may have members of our Council – John Smith, M.A., F.C.A., J.DIP.M.A. I do not think it sounds well, Mr President.

**Mr P. L. Armstrong, F.C.A. (London):** As a member of the Institute who has been in public practice for the last seventeen years exclusively in this field, I would like to say how much I welcome the new proposals; the new certificate appears to me to be excellent. It will give a foundation of knowledge of the greatest value to anyone who intends to practise or to work in this field or who wishes to be able to advise his clients properly from time to time. The Council deserves to be warmly congratulated on this step, but we are as a nation entering an era in which our clients in industry and commerce will have to face and overcome more and more complex technical and financial problems. We are entering this era with increasing rapidity as recent advances in automation, communications and data processing show. Under these conditions it is more than ever necessary that the division between engineer and accountants, between line management and staff service by accountants should be bridged.

I believe it is true to say that the division has been caused as much by an absence of sound and proper training of engineers in costs and elements of financial control, as it has by accountants being ignorant of engineering processes. May I therefore ask through you, Mr President, if the Council will now go further and consider whether joint training facilities might be provided in conjunction with the leading engineering institutes so that the members of

each profession may learn and appreciate the virtues and the needs of the other? It would only be of the greatest benefit if by such an arrangement our members could play a greater part in ensuring the skills of the engineer are properly used to keep Britain ahead in the years to come.

**Mr W. J. H. Everitt, B.A., A.C.A. (London):** While welcoming both these new schemes, I would like to know whether the adoption of the scheme for a certificate in management information, in particular, means that the Council are opposed to the idea of co-operating with whatever bodies are formed to implement the Franks Report on Schools of Management, and whether they are opposed to ensuring that newly-qualified accountants have the opportunity to train for management as distinct from management accounting, and whether, on the other hand, there is the possibility of further developments along these lines?

**The President:** I think I will answer that. We are not opposed to our members taking alternative qualifications, but really we must walk before we can run. This is largely a new field we are entering into, and I am quite sure we will have under consideration any improvements or wider scope which can be introduced to help our members in management accounting and all that means, but I do feel that members must realize that it is a very big step.

**Mr T. J. Miller, A.C.A. (Hatfield):** Mr President, as one of the younger members of the Institute I would like to welcome the scheme—both schemes, in fact, but I would like to say that there is a very big field of management which is not perhaps covered by these schemes. For many years now accountants have taken positions as managers, managing directors and general line managers. I feel that with these new business schemes being instituted the Institute should take a very active part, or as active a part as it can, to ensure that accountants in the profession generally retain their status as leaders not only of the profession but of industry as well.

**The President:** We have, as you know, a very important committee in the Council, and that is the Education Committee; they are studying the very points you have raised, so I can assure you it will be given full consideration.

**Mr D. M. Clement, F.C.A. (London):** First I would like to say that I welcome the thinking that is behind the proposals that are put forward, and I also welcome too the evidence of collaboration between the various professional bodies.

It seems to me, sir, that there are three parties to these proposals—the Institute, the members and the prospective employers be they in the consultancy field or in industry. Frankly, sir, I am not sure that the proposals that are before this meeting today really are best suited to the needs of all parties. If I may take the three parties that I have mentioned in the reverse order—I would say of the industrial employer that I think his viewpoint could be simply put by saying that we would like to recruit young chartered accountants at the age perhaps of 25–27 years, after having taken a couple of years' experience in a professional office. Then, by the age of 30, sir, I would advance the view that we judge his fitness for promotion. I do not think that his taking a joint diploma examination at that age would help industry to make a decision as to whether or not he is the right man for the job—and therefore, sir, I rather conclude that the diploma proposals will not really be of great interest to the employer.

Secondly, dealing with the member himself. Whilst I am at one with the Institute in its view that a young professional man should have a couple of years' experience in a professional office after qualification, and I indeed accept the thought that is behind the proposals that we must keep up the tempo and the interest of the member in study when he has completed his qualifications, it seems to me that the proposals really present a most difficult choice to a young member. He has two courses of action. One, which is the certificate proposal, which is, I think, obviously less advanced than the other—the diploma proposals. And,

firstly perhaps, sir, I would advance the view that the certificate proposals in fact make a great deal of sense and accord with the ideas which the Institute has put forward that a young man should indeed have two years' professional service after qualification, and it would also follow very naturally from his period of study for his accountant qualifications.

But on the other hand, sir, when you come to the diploma proposals, the regulations envisage that there must be three or four years before he can take his Part I examination—the minimum age of 26, I think, applies there—and the diploma regulations also specify that he must have experience in industry or management consultancy, and this should follow after the two years in a professional office, if the Institute's views are followed. It seems to me that to ask for both will have ill effects on the habit of study.

You have a situation, sir, of a young man perhaps taking his Finals at the age of 23 and spending two years in the profession followed by two years industrial experience, which means he will be aged 27 when he takes his Part I diploma examination. He is then required to have another three years in industry, possibly five, and he will then be 30 or 32 years of age before he qualifies for his diploma Finals. I suggest, sir, that a young man will be sick and tired of systematic study and examinations by that time, and for those reasons I rather fear that the proposals are impracticable and will indeed experience the same sort of fate I understand has overtaken the Fellowship of The Institute of Cost and Works Accountants where we find that fewer and fewer people are indeed entering.

Then, finally, sir, if I may refer to the interests of the Institute itself—there seem to be two factors here. The proposals appear to me to present a big complex syllabus for those members who are interested in having two examinations on the same subject and a very extended period of study. Again, sir, from the point of view of the Institute, if my understanding is right that the Institute of Cost and Works Accountants' experience has been that the Fellowship examination did not prove attractive, then these proposals, if they are adopted, will introduce a professional status which has already been shown by experience elsewhere to be somewhat unattractive. I would, sir, if time permitted go on and put forward suggestions which I would like to be considered, but time being against me I will leave it like that for the moment.

**The President:** Thank you. Gentlemen, I am sorry that time is catching up, and I feel that we must draw discussion of this matter to a close. I will put each resolution to the meeting and invite the Vice-President to second.

Resolution No. 1, since it proposes amendments to the Supplemental Royal Charter, requires to be passed by a majority of not less than two-thirds of the members present and voting, and to be confirmed by a majority of members present and voting at a subsequent meeting held not less than one month or more than four months from today. If the resolution is passed today, it is the Council's intention to convene the confirmatory meeting for July 1st, 1964, at 2.30 p.m.

I do not imagine that you will wish me to read the whole of each resolution as you have already had a printed paper and there are copies available for those who have not brought theirs with them. I will move the resolutions by reference to the printed papers. I now formally move resolution No. 1.

**The Vice-President:** I second resolution No. 1.

**The President:** Will those in favour of resolution No. 1. please show by raising their arms? To the contrary? Unanimous.

It is necessary, as I explained earlier, that resolution No. 2 should be amended to overcome a technical point.

The resolution, if the amendment, which I will put, is passed, will in effect involve a Charter alteration. It will require to be passed by a majority of not less than two-thirds of the members present and voting and to be confirmed by a majority of members present and voting at the subsequent meeting which, as I have said about resolution

No. 1, it is intended to convene for July 1st, 1964.

I now formally propose resolution No. 2. I will invite the Vice-President to second that.

**The Vice-President:** I second that.

**The President:** Resolution No. 2 is now before the meeting and, for identification, I exhibit the prints of the Schemes for a Joint Diploma in Management Accounting Services and a Certificate in Management Information which have been duly signed by me.

I now propose that resolution No. 2 be amended by the insertion of the following words immediately after the words 'becoming effectual' and before the colon in line three of the printed resolution:

'and so that subject to and conditionally as aforesaid this Resolution shall take effect and shall be binding upon the Institute and all its members not withstanding that it shall not be passed in a manner consistent with the provisions of Clause 14A of the Supplemental Royal Charter'.

That, I can assure you gentlemen, is the legal way of dealing with this matter.

Now, I move that as an amendment to Resolution No. 2.

**Vice-President:** I second the amendment to resolution No. 2.

**The President:** Those in favour please show? To the contrary? Unanimously – thank you. I now have to put resolution No. 2 as amended.

I move the resolution. I will ask the Vice-President if he will second that.

**The Vice-President:** I second resolution No. 2 as amended.

**The President:** Those in favour please show in the usual manner. Thank you. To the contrary? The result gentlemen is 158 in favour of the resolution and 14 against.

We will now proceed to Resolutions No. 3 and No. 4. We will, as I indicated before, have a general discussion before I put it to the vote, but I will again draw your attention to the explanatory notes given on page three of the printed notice. Resolutions 3 and 4 propose certain amendments to the Supplemental Royal Charter and to the bye-laws. Does any member wish to speak on this now?

**Mr Denza:** To be very brief, it never occurred to me to say anything on this, but today's proceedings have rather changed my mind. The effect of this will be that 90 per cent of the votes on any matter in the future will be cast by people who have not heard the merits of the case discussed. If I had been asked to put in a proxy vote before today's proceedings because I could not come, I would have unhesitatingly voted against these incorporated accountant resolutions because I always thought the Council had a very strong case. I have been completely shaken by the debate today, although, of course, I have not heard the opposite side, which might have restored my view. I think it wrong that matters like this one should be decided by an overwhelming majority of people who have not heard the matter debated at all. Would it be possible to amend this in some way so that on extraordinary business proxies can be sent in up to say three weeks after the resolution was discussed, so that people could have read about the debate in the professional Press? I could not propose a formal amendment to this in two minutes, even if I could think of the wording, but I am now very worried about this. Obviously this means that anything can be steamrollered through. It will not be possible to decide a matter on its merits and the whole thing will become a mere formality.

**The President:** I am advised by our legal advisers that it is not possible to take proxies after the day of the meeting but we have noted what you have said and there may be some means of letting members know beforehand, if it is a very vital subject and if they cannot attend, possibly by way of an explanatory statement.

**Mr M. C. Dowden, A.C.A. (Caterham):** May I suggest that one way to overcome this would be to have a printed

statement printed the previous month by *Accountancy*, giving the two sides of the case.

**The President:** Well, we cannot promise that, but we will do our best to see that members are kept fully informed of any important matters which may be the subject of a resolution.

Well, gentlemen, I now formally propose Resolution No. 3 and ask the Vice-President to second.

**Vice-President:** I second resolution No. 3.

**The President:** Those in favour of Resolution No. 3 please show. To the contrary? The result gentlemen is 162 in favour of the resolution and 3 against. I will now formally propose resolution No. 4 and I will ask the Vice-President to second that.

**Vice-President:** I second Resolution No. 4.

**The President:** Those in favour of Resolution No. 4 please signify? To the contrary? The result gentlemen is 166 in favour of the resolution and 2 against. I will now formally propose resolution No. 4 and I will ask the Vice-President to second that.

**Vice-President:** I second Resolution No. 4.

**The President:** Those in favour of Resolution No. 4 please signify? To the contrary? The result gentlemen is 166 in favour of the resolution and 2 against. I will now formally move Resolution No. 5 and I will ask the Vice-President to second that.

**Vice-President:** I second Resolution No. 5.

**The President:** Those in favour of Resolution No. 5 please show? To the contrary? That is carried unanimously.

We have now concluded the business on the agenda of this special general meeting and I now declare the meeting closed.

Mr N. Cassleton Elliott, M.A., F.C.A. (London), proposed a vote of thanks to the President in the course of which he said:

Sir, we thank you for your untiring efforts on our behalf; we congratulate you and the Council on the production of the Practitioner Inquiry Report. You have steered the Council forward in participating in the establishment of the Joint Diploma and Certificate; you have shown great understanding of the education of articled clerks; the meetings of students at the various district societies, particularly in the establishment of the experimental introductory courses; you have done many things more fully reported elsewhere, but in bringing these to fruition there is a more personal side.

You, sir, live in Newcastle; during your year of office you have travelled more than 38,000 miles, not only on your presidential duties each week in London, but you have represented us in numerous countries in Europe, functions in as many as three countries in a week.

The office of President is no sinecure; it is necessary to meet men in all walks of life, to uphold the prestige of the Institute; to do all this, and yet to have an iron constitution to attend all the dinners and social functions; your knowledge and understanding of men acquired in a long and successful military and public service; your kindly and encouraging words have endeared you to us, particularly in your daily contact with the members of the secretariat of the Institute.

Ladies and gentlemen, I ask you to join me in expressing our appreciation and thanks to Mr R. P. Winter, our President, who, as Shakespeare said 'is a proper man as one would see in a summer's day.' (*Applause.*)

**The President:** Mr Elliott, and ladies and gentlemen, I do thank you for those very kind words. It has been a tremendous honour to me to be President of this Institute; it is the highest honour in our profession one can attain. I have made many friends and it has been a great experience which I shall always cherish. I thank you again for supporting me at this meeting and for accepting this vote of thanks in such a generous manner.

# THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

## SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Tuesday, May 5th, 1964, at the Institute's temporary offices at City House, 56-66 Goswell Road, London EC1, there were present:

Mr Robert P. Winter, C.B.E., M.C., T.D., President, in the chair; Mr W. Guy Densem, Vice-President; Messrs J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, Sir Henry Benson, C.B.E., Mr P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, C. Croxton-Smith, S. Dixon, W. W. Fea, J. Godfrey, G. G. G. Goul, P. F. Granger, J. S. Heaton, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., W. Bertram Nelson, C.B.E., W. E. Parker, C.B.E., S. J. Pears, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, A. G. Thomas, A. H. Walton, R. Walton, F. J. Weeks, M. Wheatley Jones, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley, C.B.E.

### The Practitioner Inquiry

The Council appointed a special committee to examine the report prepared by the District Societies Committee on the practitioner inquiry and to make recommendations.

### Summer Course Committee

The Council has decided that the name of the Summer Course Committee be changed to the Courses Committee and that its terms of reference be extended so that it assumes responsibility for making all arrangements for the holding of all courses for members which may be authorized by the Council, including the present summer courses, electronic data processing courses, and other courses of a specialist nature.

### President Kennedy Memorial Appeal Advisory Council

The President has accepted an invitation from the Lord Mayor of London to become a member of the President Kennedy Memorial Appeal Advisory Council.

### Dividend and Interest Warrants and Related Tax Vouchers

The Council received a report that British Standard 3723:1964, Specification for Dividend and Interest Warrants and Related Tax Vouchers, had been published by the British Standards Institution. Representatives of the Institute on committees and sub-committees of the British Standards Institution assisted in the preparation of the Standard.

### Contracts of Employment Act, 1963

The Council will publish, before the Contracts of Employment Act, 1963, comes into force on July 6th, 1964, a form of statement suitable to be given to article clerk by principals in accordance with their obligations under the Act. Consideration is being given to the question of further guidance to members regarding their obligations to employees not serving under articles.

### Registration of Articles

The Secretary reported the registration of 202 articles of clerkship during March, the total since January 1st, 1964, being 754.

### Admissions to Membership

The following were admitted to membership of the Institute:

Allen, Michael Bough, A.C.A., 1964; 3 Dale Avenue, Stratford-upon-Avon, Warwicks.  
Bradley, Peter, A.C.A., 1964; 12 Richmond Court, Richmond Road, London SW20.  
Brown, Simon Fallowfield, B.A., A.C.A., 1964; 'Fircroft', Lingfield, Surrey.  
Gaywood, Paul, A.C.A., 1964; 42 Mossom Lane, Norbreck, Blackpool.  
Green, Gordon, A.C.A., 1964; 29 Danesfield Avenue, Waltham, Grimsby.  
Henton, Roger Gordon, A.C.A., 1964; Eastwood House, Greetwell Road, Lincoln.  
Hitchcox, Duncan Michael Wallace, A.C.A., 1964; 47 Barkston Gardens, Earls Court, London SW5.  
Horton, John Pannell, A.C.A., 1964; 80 Burton Road, Lincoln.  
Kilroe, Denis Gordon, A.C.A., 1964; 5 Wadham Road, Frenchwood, Preston, Lancs.  
Kirwan, Michael Ralph, A.C.A., 1964; 'Redbourne', Heronway, Brentwood, Hutton, Essex.

a Indicates the year of admission to the Institute.

aS Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member'.

¶ Means 'member in practice'.

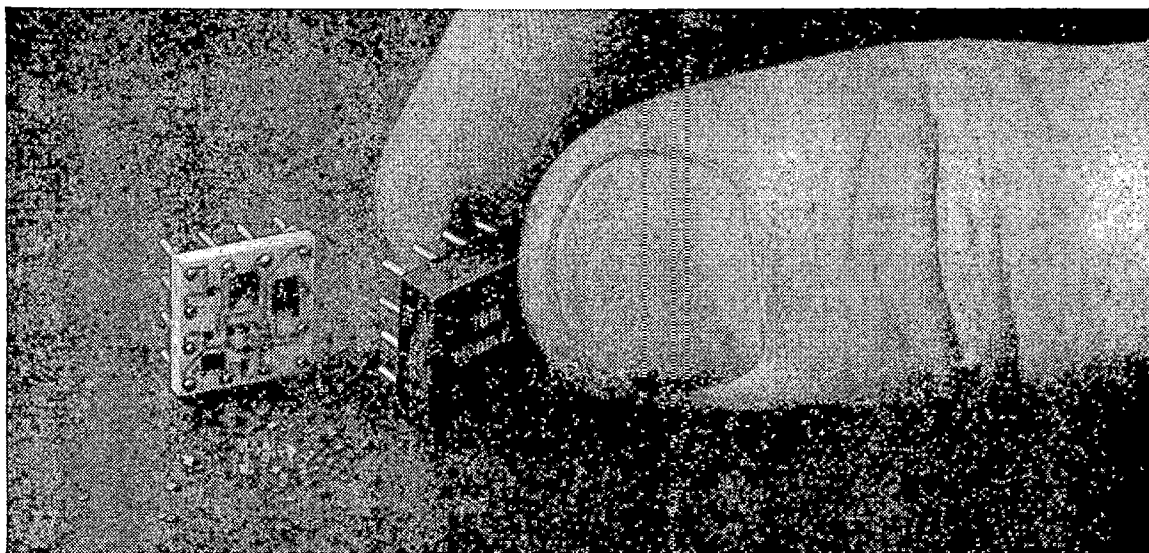
Firms not marked †, †† or \* are composed wholly of members of the Institute.

† Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

†† Against the name of a firm indicates that the firm includes an incorporated accountant member of this Institute and is composed wholly of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.





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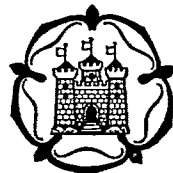
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Matty, Ralph Stanley, A.C.A., 1964; 'Heatherstones', Quarry Park Road, Stourbridge, Worcs.  
 \$Mitra, Ajoy Kumar, A.S.A.A., 1964; 25 Mandeville Gardens, Calcutta 19, India.  
 \$Molloy, Joseph Hillary, A.S.A.A., 1964; 107 Park Hill, London SW4.  
 Riley, John Raynor, A.C.A., 1964; 'Ruskin Dene', Lake Avenue, Billericay, Essex.  
 Ringrose, Nigel John Carter, A.C.A., 1964; 47 Markham Square, London SW3.  
 Rutteman, Paul Johannes, B.Sc.(ECON.), A.C.A., 1964; 6 Cassiobury Park Avenue, Watford, Herts.  
 \$Saville, Dudley, A.S.A.A., 1964; c/o 102 Francois Road, Durban, South Africa.  
 Smith, Robert Scotson, A.C.A., 1964; 13 High Street, Wolviston, Billingham-on-Tees, Co. Durham.  
 Sutcliffe, Richard Anthony, A.C.A., 1964; 'Jean De Lisle', Rue des Messuriers, St Peters, Guernsey, Channel Islands.  
 Tanner, John Anthony, A.C.A., 1964; 2 St Oswalds Crescent, Billingham-on-Tees, Co. Durham.

### Fellowship

The Council acceded to applications from nineteen associates to become fellows under clause 6 of the supplemental Royal Charter.

### Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Monk, Alan, A.S.A.A., 1961; ††H. B. Britcliffe & Co, 15 Avenue Parade, Accrington.

### F.S.A.A.

The Council acceded to applications from three incorporated accountant members A.S.A.A. to use the letters F.S.A.A. under clause 4 (b) of the scheme of integration referred to in clause 34 of the supplemental Royal Charter.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Aaronberg, Philip, A.C.A., 1964; Philip Aaronberg & Co, 17 Woodlands, Golders Green, London NW11.  
 Ah-Chuen, Donald, A.C.A., 1961; Ah-Chuen & Co, 5 Revd. Lebrun Street, Rose-Hill, Mauritius, and at Port Louis.  
 Amos, Anthony Ridley, A.C.A., 1958; P. G. Heslop & Co, 73 Basinghall Street, London EC2.  
 Andrews, Brian, A.C.A., 1958; Portlock & Co, 8 Staple Inn, Holborn, London WC1.  
 Armitage, Eric Davies, A.C.A., 1956; Eric D. Armitage & Co, 18 Skipton Street, Morecambe & Heysham.  
 Arthur, Roy Anthony, F.C.A., 1951; Miller, Smith & Co, 24 Weymouth Street, London, W1, and at Fleet.  
 Bailey, Timothy, A.C.A., 1959; Leman, Hill & Hilton, 7 College Street, Nottingham.  
 Bakerman, Warner, A.C.A., 1958; B. Nagley & Co, 24 Sir Thomas Street, Liverpool 2.  
 Balmforth, Keith, A.C.A., 1962; Wm Sunderland & Co, 64 Devonshire Street, Keighley.

Beardsmore, John Edwin Frank, A.C.A., 1964; E. F. Beardsmore & Co, 3 Frederick Road, Edgbaston, Birmingham 15.  
 Blake, Richard John Bowden, A.C.A., 1960; Baker, Todman & Co, Canada House, Norfolk Street, Strand, London WC2.  
 Bottjer, Alan George, F.C.A., 1951; Dauncey & Co, 22 Broad Street, Worcester, and at Norwich.  
 Bradford, Michael, A.C.A., 1962; 45B Station Road, Hednesford, Staffs, and at Walsall.  
 Bridgehouse, Edward, A.C.A., 1962; 47 Grosvenor Road, Hyde, Cheshire.  
 Bristow, Donald Edwin, F.C.A., 1951; 21 Withean Court Avenue, Brighton 6.  
 Bristow, Kenneth George, A.C.A., 1961; 33 St Martins Drive, Eynsford, Kent.  
 Burton, John Alan Thomas, A.C.A., 1963; A. P. Burton & Co, 14 Devonshire Street, Keighley, Yorkshire, and at Skipton.  
 Cardno, James Farquhar, B.A., F.C.A., 1952; 26 Shire Oak Road, Leeds 6.  
 Chapman, David Howard, F.C.A., 1950; Chantrey, Button & Co, Africa House, Kingsway, London WC2.  
 Clarke, Vernon David, A.C.A., 1959; Bente, Price & Bailey, The Guild House, Water Lane, Bishop's Stortford, Herts; also at Cambridge, R. E. Bailey & Son and Harlow, Price & Bailey.  
 Collins, David Richard Gerald, A.C.A., 1956; Harvey Preen & Co, 20/21 Orchard Street, Bristol 1, and at Birmingham; also at London, Harvey Preen & Co, and Arthur D. Saward & Co, and Stratford-on-Avon, Newland & Co, and Yeovil, Harvey Preen & Co, and W. T. & L. Walters.  
 Cooper, Stuart Edward, A.C.A., 1964; Watts, Knowles & Co, Midland Bank Chambers, Letchworth, Herts, and at Baldock, Royston and Welwyn Garden City.  
 Cottingham, Barrie, A.C.A., 1955; ††Cooper Brothers & Co, and ††Coopers & Lybrand, 348 Glossop Road, Sheffield 10; for other towns see ††Cooper Brothers & Co, and ††Coopers & Lybrand.  
 Crossley, Eric Robert, A.C.A., 1956; Dearden, Harper, Miller & Co, and Williams, Dyson, Jones & Co, 17 and 18 St Dunstan's Hill, London EC3; also at Manchester, Dearden, Harper, Miller & Co.  
 Dale, Alan James, A.C.A., 1960; \*Dyke, Ruscoe & Hayes, 34 Teme Street, Tenbury Wells, Worcs, and at Ludlow.  
 Davies, Arthur Albert, F.C.A., 1949; Miller, Smith & Co, 24 Weymouth Street, London W1, and at Fleet.  
 Davies, John, A.C.A., 1960; Baddiel, Sleeman & Co, 20 Walter Road, Swansea.  
 Dunning, Henry Edward, A.C.A., 1954; 19 Tithebarn Lane, Kirkby, Lancs.  
 Duparc, Robert Anthony, A.C.A., 1959; Prince, Simon & Co, Palmerston House, Bishopsgate, London EC2.  
 Emery, Michael Peter, A.C.A., 1957; Bournier, Bullock & Co, P.O. Box 13, Albion Street, Hanley, Stoke-on-Trent; for other towns see Bournier, Bullock & Co.  
 Everitt, David Terence, A.C.A., 1961; Godfrey, Laws & Co 10 Cardiff Road, Luton.  
 Farmery, David Charles Edwin, A.C.A., 1961; C. Nuttall & Co, 10 Rossall Road, Thornton-Cleveleys, Lancs.  
 Forrest, Graham John, A.C.A., 1963; Clark, Battams & Co, 6 Eldon Street, London EC2.  
 Freeman, Martin Gill, A.C.A., 1958; Freeman, Bream & Co, Bank Chambers, Town Hall Square, Leicester.  
 Garner, Royston Donald, A.C.A., 1958; Blackburn, Mellstrom & Co, 3 Laurence Pountney Hill, Cannon Street, London EC4, and 87 Cadogan Lane, Sloane Square, London SW1.  
 Godfrey, Richard Martin, A.C.A., 1963; Godfrey, Laws & Co, 10 Cardiff Road, Luton.  
 \$Groom, Denis James, A.S.A.A., 1959; ††Cooper Brothers & Co, and ††Coopers & Lybrand, Holbeck House, Albion Street, Leeds 1; for other towns see ††Cooper Brothers & Co, and ††Coopers & Lybrand.

- Hall, Kenneth Julian, A.C.A., 1959; A. E. Limehouse & Co, 24 Market Place, Rugby.
- Harmer, Anthony Edward Martin, A.C.A., 1962; \*E. E. & A. E. Harmer, 5 and 6 Guildhall Place, Cambridge.
- Harrop, Peter Edmund Morris, A.C.A., 1960; J. F. Flint & Co, 54 Nottingham Road, Mansfield, Notts.
- Hews, Richard Anthony Frederick, A.C.A., 1964; Arthur Stubbs & Spofforth, Tudor Court, 52 Richmond Road, Worthing, and at Chichester, London and Storrington.
- Hipkiss, Robert Richard, A.C.A., 1962; \*Hipkiss & Collins, 14 Heath Street, Golborne, Lancs.
- Hodgkinson, Francis Geldeard, A.C.A., 1959; James Todd, Stirrup & Co, 19 Winckley Square, Preston.
- Jones, Peter Frederick, F.C.A., 1951; Arthur J. Smith & Co, 8 Kew Road, Richmond, Surrey.
- Langfield, Gregory William, A.C.A., 1963; \*J. R. Hyett & Co, Britannic House, 5 Tamworth Road, Long Eaton, Nottingham.
- Lloyd-Simpson, Keith Neville, A.C.A., 1961; Beverley, Simpson & Co, 14 Bryanston Street, Portman Square, London W1, and at Stanmore.
- Maton, Michael Grant, A.C.A., 1961; Stanley & Co, Lombard House, Great Charles Street, Birmingham 3.
- Meyer, Peter John Herman, B.A., A.C.A., 1961; Peter Meyer & Co, 57 Churchill Way, Cardiff.
- Morris, Gilbert Stanley, F.C.A., 1953; Clark, Battams & Co, 6 Eldon Street, London EC2.
- Nicholls, Brian Howard, F.C.A., 1953; †Wall & Tanfield and †Fox & Co, 4 Vicarage Road, Edgbaston, Birmingham 15, and at Dudley; also at Walsall, †Fox & Co.
- Orkin, Barry Mayer, A.C.A., 1960; B. M. Orkin & Co, 94 Teignmouth Road, London NW2.
- Pardey, David Arthur, A.C.A., 1962; Pardey & Smith, 28 St George's Street, Chorley, Lancs.
- §Philip-Smith, John Philip, M.C., A.S.A.A., 1963; ††Thomas Pearce & Co, Cranham, Loudwater Lane, Rickmansworth, Herts, and at Alton.
- Phillips, Clarence Howard, A.C.A., 1961; Cole, Dickin & Hills, National Provincial Bank Chambers, Killigrew Street, Falmouth.
- Pilcher, Anthony Julian, A.C.A., 1959; †Harmood-Banner, Cash, Stone & Mounsey, 7 Brunswick Place, Southampton, and at Portsmouth.
- Porritt, John David, A.C.A., 1961; Grayston, Burrow & Co, 5 Eldon Place, Bradford 1.
- Preedy, Raymond William, A.C.A., 1963; 82 Priory Road, North Cheam, Surrey.
- Riley, Robert Edward, A.C.A., 1960; Sutcliffe & Riley and Learoyd & Sons, Fountain Chambers, Fountain Street, Halifax.
- Sargeant, Peter Robert, A.C.A., 1962; Godfrey, Laws & Co, 10 Cardiff Road, Luton.
- Shapiro, Jeffrey Israel Joseph, A.C.A., 1964; Jeffrey Shapiro & Co, 37 The Chase, Stanmore, Middlesex.
- Shooter, William Kenneth, F.C.A., 1952; 160 Ratby Road, Groby, Leicester.
- Smith, Dennis Leslie, A.C.A., 1964; Dyke & Ruscoe, The Old Mansion, St Mary's Street, Shrewsbury.
- Smith, John Vincent, A.C.A., 1962; Pardey & Smith, 28 St George's Street, Chorley, Lancs.
- Stewart, John Wyllie, B.A.(COM.), A.C.A., 1961; Dearden, Harper Miller & Co, Croxley House, 14 Lloyd Street, Albert Square, Manchester 2, and at London.
- Stow, William Keith, A.C.A., 1956; R. H. B. Heap & Son, Equity Chambers, 40 Piccadilly, Bradford 1.
- Taylor, Kenneth John, A.C.A., 1962; \*Landau, Morley & Scott, 13 Marylebone Road, London NW1, 230/236 Lavender Hill, London SW11, and 126 The Grove, Stratford, London E15; also at Brighton and Staines.
- Thein, Maung Maung, A.C.A., 1964; T. J. Newman & Co, Bank Chambers, 214 Bishopsgate, London EC2.
- Todd, Clifford Newton, A.C.A., 1961; G. H. Fletcher & Co, 286/295 Salisbury House, London Wall, London EC2.
- Warburton, Ian George, A.C.A., 1962; 50 Elgar Street, Longsight, Manchester 12.
- Whale, Brian James, A.C.A., 1962; 280 Princess Avenue, Palmer's Green, London N13.
- Whatmough, Michael John, M.A., A.C.A., 1960; Buxton, Beresford & Co, 27 Finsbury Square, London EC2, and at Bracknell.
- Whittaker, Stanley Henry, A.C.A., 1958; Tiplady, Brailsford & Co, 36/38 New Broad Street, London EC2.
- Williams, Clive Richard, A.C.A., 1958; Legg, London & Co, and R. G. Wallis & Co, 79 Eccleston Square, London SW1.
- Williams, Frederick John Sidney, F.C.A., 1951; Clark, Battams & Co, 6 Eldon Street, London EC2.
- Wiseman, Gerald Arthur, A.C.A., 1959; P. B. Bishop & Co, Finsbury Court, Finsbury Pavement, London EC2.
- Worth, Brian Leslie, A.C.A., 1960; \*Whitehill, Williams & Co, Warwick House, Warwick Court, Gray's Inn, London WC1.

### Readmission to Membership

One application under clause 23 of the supplemental Royal Charter for revocation of exclusion from membership was refused.

### Resignations

The Council accepted the resignations from membership of the Institute of:

- Cattell, Reginald Gordon, F.C.A., 1933; 54 Alderney Street, London SW1.
- Green, Philip, F.C.A., 1928; 'Heronfoot', Balsall Common, Coventry.
- McCrudden, Brendan John, F.C.A., 1942; 7 Cambridge Road, Winbledon, London SW20.
- Shaw, John Stanley, F.C.A., 1948; 9080 Wilberforce Street, Burnaby, British Columbia, Canada.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

- Mr Alfred Butter Adam, F.C.A., Lincoln.
- „ Leslie William Bromley Bennett, F.C.A., Salisbury, Wilts.
- „ Frank Bland, F.S.A.A., Ambleside, Westmorland.
- „ Henry Butlin Bradfield, F.C.A., Nottingham.
- „ Charles Herbert Burr, F.C.A., Arundel.
- „ Norman James Clapham, F.C.A., London.
- „ William Crosbie Crosbie-Hill, F.C.A., Egham.
- „ Thomas James Cummins, F.S.A.A., Walton-on-Thames.
- „ Nigel Roberts Dickinson, F.C.A., Shipley, Yorkshire.
- „ Sydney Alfred Gradwell, F.C.A., Manchester.
- „ Ernest Smith Hall, F.C.A., Solihull.
- „ Reginald Thomas Jolly, F.S.A.A., Johannesburg.
- „ George Edward Jones, F.C.A., Liverpool.
- „ John William Keenan, F.C.A., London.
- „ Robert Lewin, F.S.A.A., Liverpool.
- „ William Gershon Lewis, F.C.A., Liverpool.
- „ John Adrian Linnard, F.C.A., Beckenham.
- „ Athol Harrison McRobert, F.C.A., Torquay.
- „ Atchuth Madhava Menon, F.S.A.A., London.
- „ Robert William Mitchell, F.C.A., Whitehaven.
- „ Harold Alwyne Perkins, F.C.A., Harrogate.
- „ Brian Runciman Pollott, M.A., F.C.A., London.
- „ Thomas Edward Smith, F.C.A., Scarborough.
- „ Herbert Stephenson, F.C.A., Harrogate.
- „ Tom Taylor, F.C.A., Gerrards Cross.
- „ James Toner, F.C.A., Liverpool.
- „ Howard William Ward, F.C.A., Southsea.
- „ Peter Wright, F.C.A., Horsham.

# THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

## Seventy-eighth Annual Meeting

The seventy-eighth annual general meeting of The Chartered Accountants' Benevolent Association was held on May 6th, following the Institute's annual meeting. Sir William Carrington, F.C.A., President of the Association, was in the chair.

In the course of his address Sir William said:

£ The report of the board of governors, which has been in your hands for some time, gives, I think, a complete review of the important events, financial and otherwise, relating to the Association for the year ended on February 29th, last.

It will be observed that it has been decided to make an increase of the order of 15 per cent to 20 per cent in the minimum amount of income which it is considered desirable that our beneficiaries should receive from the Association and other sources. At the same time, it was decided that we should not ignore the appreciable increase in the amount of assistance obtainable from the National Assistance Board and therefore, in certain cases, applicants will be asked to seek national assistance before the amount of the grant to be made by the Benevolent Association is determined. I would stress, however, that where children are concerned, a national assistance basis will not be adopted; likewise, where only temporary assistance is necessary, we shall not advise an applicant first to seek national assistance. In regard to both these categories and wherever we think there are special circumstances, the Association will shoulder the whole burden of the relief, not merely the top slice above the national assistance.

Reference is made in the report to the fact that, until now, the Association has been receiving secretarial and clerical assistance from the Institute without cost. The growth of the work and the investments of the Association has inevitably led to an increased amount of Institute staff time being spent on the affairs of the Association. The cost of these services is now estimated to be between £4,000 and £5,000 per annum and the Board of Governors considers that, as from March 1st last, it will be reasonable in present circumstances for the Association to make an annual contribution towards this cost. I may say that I have only had two letters from members expressing a contrary view.

It will be seen from the balance sheet that the market value of our investments exceeds the cost of £371,000 by just over £200,000. This is, of course, due to our having followed a policy of buying equity and not fixed interest stocks. I am sometimes asked whether this policy involves a sacrifice of income. In answer to this, I would point out that the income received on the investments held throughout the year under review amounted to 6·7 per cent of the cost. The percentage will not be so high next year because of the very substantial purchases made out of the munificent bequest from the estate of the late Mr H. C. Merrett, for which bequest we are most grateful. However, I have been given figures which indicate that our overall return during the current year should be something of the order of 5½ per cent on cost.

Once again, may I ask for support in two ways, one, by helping to secure more subscribers to the Association, and secondly, by bringing to our notice any cases requiring assistance – the latter is quite as important as the former.

Mr President, ladies and gentlemen, I move the adoption of the seventy-eighth annual report and accounts of the Benevolent Association. I will ask the President if he will be good enough to second.

Mr Robert P. Winter: Ladies and gentlemen, I have

very much pleasure in seconding the adoption of the report.

**The President:** Are there any questions or observations on the report and the accounts?

**Mr G. S. Warburg, F.C.A. (London):** Mr President, I would like with great respect to question one item in the report of the Board of Governors which has been presented to this meeting. Namely the tentative proposal (at least I hope it is only tentative) in paragraph 8 of the report, to make an annual contribution to the Institute towards the cost of secretarial and clerical assistance.

First may I quote a few figures? Less than 15 per cent of the 37,880 members of the Institute at January 1st, 1964, accounted for the subscriptions of £14,233 received by the Benevolent Association for its year ended February 29th, 1964. In relation to the Institute's net administration expenditure of some £221,000 for 1963, between £4,000 and £5,000 (or about 2 per cent) is the estimated cost of assistance to the Association. It is proposed that the Association should make an annual contribution of £3,000 to the Institute, equivalent to about 1 per cent of the Institute's income and to about 1½d per month for each of its members but also equivalent to no less than 21 per cent of the subscriptions received by the Benevolent Association last year.

In these days of the Welfare State many members of the Institute must find it possible, without greatly troubled consciences, to deny their responsibility to the Benevolent Association altogether because, after all, the taxes they pay enable the State to act as a kind of national benevolent association. Others of us believe that we, members of a generally prosperous profession, have a common moral responsibility for members or their dependants who fall on hard times and that we should show in at least some small way our personal acceptance of this responsibility for self-help. In this, I think, we look to the Institute for a lead and for assistance. As it is, purely from a costs angle, I think the Institute, representing its thirty-seven thousand odd members, is at present being enabled to discharge its share of that responsibility very inexpensively. If the Institute were now to require the Association to pay over an amount equivalent to over 20 per cent of its subscription income, it would be coming down clearly on the side of those members who deny their responsibility to the Benevolent Association. If it did so, it could persuade many members who are at present supporting the Benevolent Association, or contemplating doing so, to follow the Institute's lead.

The proposal raises at least two questions which are not directly answered in the Governors' Report. First, how can the Benevolent Association afford to pay such a 'contribution' to the Institute? Is its current income higher than the Executive Committee's assessment of the needs of those who require the Association's support and does the Executive Committee consider the reserves now adequate for the future? Secondly, would the Benevolent Association have been able to contemplate such a payment to the Institute without the magnificent bequest by the late Mr Merrett? Surely he intended the income from his beneficence to be applied directly to relief for cases of hardship and not to prompt any kind of relief for the other thirty-seven thousand odd members.

To sum up: however reasonable it may be from a very short-term point of view ('in present circumstances', to quote the exact phrase), I feel this proposal is a most unfortunate one for the longer-term and besides, bearing in mind Mr Merrett's bequest, no less unfortunate in its

timing. May I respectfully plead that implementation of the proposal be deferred so as to allow for reconsideration?

**Mr E. R. Kermode, A.C.A. (London):** I second that.

**A Member:** Mr President, I shall be very brief. As regards the compulsory levy on the whole membership to pay the costs of the Benevolent Fund, I do think that the cessation of that should be put to the general members of the Institute. I think it is a perfectly reasonable thing, as the other speaker has just said, to leave it as a burden on everybody.

Secondly, a person who pays £1 gross annual covenant has to pay tax at the rate of 12s 3d. If he only pays 5s it costs him 15s. As accountants we all know that; we are quite well aware what the net cost of the covenant is. Why then does the Institute specifically discourage covenants and say it is not appropriate unless you are on standard rate? I protested about this and they will not accept a gross covenant from me. I put a gross covenant into another fund, and consequently as my position improves, it will cost me more, but there we are.

**The President:** I am obliged for those remarks. In answer to a question over there, this matter was under consideration long before the Merrett bequest became available. It is a matter which the committee has been conscious of for some considerable time.

There are two points of view; one has just been put. The other point of view is that the general body should not be paying the whole cost of running the Benevolent Association. It is a matter of opinion; but there has been no firm

decision taken yet. We will consider it in the light of this discussion, and whilst making no promises we shall bear in mind that, if the proposals which have been debated earlier this morning go through, there will be a form of machinery whereby the views of the members of the Institute can be obtained at very little cost. We shall not lose sight of that.

I quite agree that far too few members subscribe to the Benevolent Association, and anything that anyone can do to increase the numbers subscribing, then so much the better.

On this point of covenants, I would not say that we discourage people who are not standard rate payers. But, we think it right to remind them of the consequences, because in connection with other charities of which I am aware, there have been some rather harsh letters sent in to the charity when people have had their codings adjusted or something of that sort.

I think I have covered all the points. May I put the resolution to the meeting, please? Those in favour? To the contrary? Thank you. The motion is carried.

The business of the meeting concluded with the re-election of the honorary auditors, Mr Leonard Walter Bingham, F.C.A., and Mr Leonard Pells, F.C.A., and an expression of thanks to them for their work during the past year was recorded.

A vote of thanks to the President, Sir William Carrington, for all his work on behalf of the Association during the year was proposed by Mr K. R. Stanley, F.C.A. (Lancaster) and passed with acclamation.

## Notes and Notices

### PROFESSIONAL NOTICES

The formation of a firm of chartered accountants by the name of ANNAN, IMPEY, MORRISH & PARTNERS, Cunard Buildings, Liverpool 3, is announced. The partners in the firm are MESSRS T. A. MACFARLANE, of BLEASE & SONS, J. C. MACGREGOR, of CHALMERS, WADE, IMPEY, CUDWORTH & Co, F. D. M. LOWRY, of HARMOOD-BANNER, CASH, STONE & MOUNSEY, STANLEY MORRIS, of HODGSON MORRIS & Co, P. C. LLOYD, of J. B. HUGHES & LLOYD, and C. I. BOSTOCK, J. W. HILLS and C. H. BROWN, of ANNAN, IMPEY, MORRISH & Co. The resident manager is Mr R. J. ELLISON, A.C.A.

MESSRS COOK & Co, Chartered Accountants, of Liverpool and Manchester, announce that Mr ANDREW RULE, A.C.A., has been admitted into partnership as from May 1st, 1964.

MESSRS H. P. GOULD & SON, Chartered Accountants, of Holland Court, The Close, Norwich, announce that as from May 5th, 1964, they have admitted into partnership Mr HARRY GEORGE HORROR, A.C.A.

MESSRS MOORE, STEPHENS & Co, Chartered Accountants, announce the retirement, on April 30th, 1964, of Mr BRIAN MORGAN, F.C.A., and the admission into partnership on May 1st, 1964, of Mr IAIN ROBERTSON MUIR, A.C.A.

MESSRS PEAT, MARWICK, MITCHELL & Co, ALLAN, CHARLESWORTH & Co, and HODGSON, HARRIS & Co, announce that they have formed an associated firm, in the name of PEAT, ALLAN, HODGSON & ASSOCIATES, which will carry on business from 50 Gresham Street, London EC2. The partners in this firm will be: MESSRS J. M. BOSWORTH, I. M. BOWIE, W. J. L. CLARKE, J. T. CORBETT, P. EWEN, W. H. HALL, A. W. HOWITT, J. K. LAURENCE, R. G. LEACH, G. A. RAINES, F. G. ROLLASON.

MESSRS JAMES WATSON & SON and ARMSTRONG ROUTLEDGE & Co, of Carlisle, and MESSRS MILBURN & DAWSON, of Penrith, announce that as from May 1st, 1964, they will practise as one firm under the name of ARMSTRONG WATSON & MILBURN.

MESSRS ARTHUR YOUNG & Co, announce that their Bermuda firm has opened an office at Bolam House, George Street, P.O. Box 898, Nassau, Bahamas. The resident partner will be Mr W. R. McLEOD, A.C.A., of Nassau, Bahamas.

### Appointments

Mr J. E. Bambrough, F.C.W.A., has been appointed joint managing director of Broom & Wade Ltd. He will continue to act as financial director.

# JOHN FOORD & COMPANY

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

## REVALUATION OF ASSETS

WORKS, FACTORIES, PLANT & MACHINERY, Etc.

Mr R. Bush, F.C.A., deputy chief accountant of the Williams Hudson group of companies since 1956, has been appointed a director of John Hudson & Co Ltd; he will act as commercial manager to the company.

Colonel D. H. Cameron of Lochiel, T.D., B.A., F.C.A., has been elected chairman of the Ordinary Court of the Scottish Widows' Fund and Life Assurance Society.

Mr William Dougall, F.C.A., has been appointed chief accountant to the Golden Wonder Crisp Co Ltd.

Mr E. H. Hanson, F.C.A., has been appointed junior vice-president of the Institute of Printing.

Mr John Hindle, F.C.W.A., has been appointed finance director of Pickfords Ltd, and has also become a director of B.R.S. (Meat Haulage) Ltd.

Mr S. R. Hogg, D.S.O., M.C., F.C.A., has been elected a director of Hugh Wood & Co Ltd, and Huwood Mining Machinery Ltd, wholly-owned subsidiaries of General Electrical and Mechanical Systems Ltd, of which company he was recently appointed chairman.

Mr Brian Manning, C.B.E., D.L., J.P., F.C.A., who has been a director of Selayang Tin Dredging Ltd since April 1959, has been appointed chairman of the company.

Mr L. N. Norton, F.C.W.A., financial controller of General Precision Systems Ltd, has been appointed a director of the company.

## TWO NEW ECONOMIC DEVELOPMENT COMMITTEES

Mr W. H. Mosley Isle, F.C.A., a partner in the firm of Peat, Marwick, Mitchell & Co, has been appointed chairman of an economic development committee for wool textiles established by the National Economic Development Council, and Mr S. J. Pears, senior partner in the firm of Cooper Brothers & Co, has been appointed a member of the Council's new economic development committee for electrical engineering. It has also been announced that one of two additional members of the economic development committee for electronics is Professor J. R. N. Stone, P. D. Leake Professor of Finance and Accounting at Cambridge University.

## THE ROYAL MINT IN 1963

Last year a total of 769,548,024 coins were struck by the Royal Mint. The number of pieces produced for the United Kingdom, 462,942,274, was the second highest on record and consisted of 17,572,800 half-crowns, 25,580,000 florins, 78,520,000 shillings, 124,860,000 sixpences, 37,432,000 threepences, 134,013,600 pennies 44,959,200 halfpennies and 4,674 Maundy coins. A total of 10,400,000 sovereigns were also struck to augment the stocks of sovereigns in the gold reserves. Issues of new cupro-nickel coin totalled £8.3 million, of which £6.5 million represented an expansion of the amount of coin in circulation, the remainder being issued

in replacement of coin withdrawn and normal wastage.

Coinage for overseas governments represented 38 per cent of the year's output and amongst the 296,205,750 coins supplied were new coinages for Ceylon and Cyprus. Included in the total were coins of seventy-eight denominations for twenty-five Commonwealth and foreign countries.

## REVISED NOTES ON NATIONAL INSURANCE BENEFITS

Two revised booklets entitled, *Notes on overlapping benefits, allowances and pensions*, and *How and where to claim benefit*, have been issued by the Ministry of Pensions and National Insurance.

The former includes comprehensive summaries on dependants' benefit, duplication between personal and dependants' benefits, and hospital in-patients. The second booklet includes notes on standard benefit rates, guardians' allowance, retirement pensions, together with four useful tables on the standard weekly rates of benefit. Copies of the booklets are obtainable from the Information Division of the Ministry, 10 John Adam Street, London WC2.

## SOUTH WALES AND MONMOUTHSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

### New President

Mr Harry W. Thomas, F.C.A., senior partner in the firm of A. Owen John & Co, Chartered Accountants, of Swansea, was elected President of the South Wales and Monmouthshire Society of Chartered Accountants for the year 1964-65 at the Society's annual meeting held last Tuesday.

Educated at Swansea Grammar School, Mr Thomas was articled to his father, the late Mr A. E. Thomas, who was a partner in his present firm and who was President of the South Wales and Monmouthshire Society of Chartered Accountants from 1939-46. Admitted to membership of The Institute of Chartered Accountants in England and Wales in May 1948, Mr Thomas was also admitted to membership of the former Society of Incorporated Accountants the following November, being awarded the Third Certificate of Merit. He is a Past-President of The West Wales Chartered Accountants' Students' Society.

During the Second World War, Mr Thomas served in the Royal Electrical Mechanical Engineers in India and Pakistan. Outside his professional activities, he



### Punched Card Processing Service

CONDUCTED ON A SERVICE BUREAU BASIS

POWERS-SAMAS (I.C.T.).....	21 COLUMN
POWERS-SAMAS (I.C.T.).....	36 COLUMN
POWERS-SAMAS (I.C.T.).....	40 COLUMN
POWERS-SAMAS (I.C.T.).....	65 COLUMN
HOLLERITH (I.C.T.).....	80 COLUMN
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is interested in gardening, caravanning, music and is treasurer of the local Scout group.

The new Vice-President is Mr T. H. Trump, F.C.A., a partner in the firm of Phillips & Trump, Chartered Accountants, of Cardiff.

### Annual Meeting

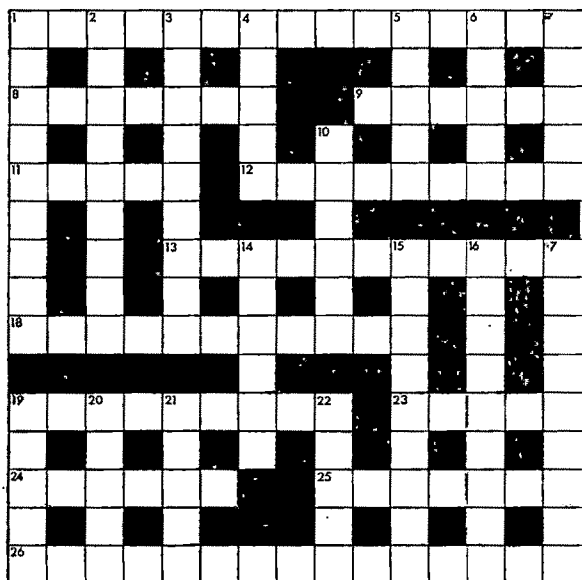
The report of the committee for the year 1963-64 expresses satisfaction in the increase in the Society's membership following the new Institute arrangement whereby members who reside or who are employed in the area of a district society are eligible to become members without payment of subscription.

A number of meetings held in Cardiff during the year included a discussion group, a 'brains trust' panel comprising two members of the Association of H.M.

Inspectors of Taxes and a review of current taxation cases at which the speaker was Mr E. C. Mead. The report states that attendance at the Society's meetings continues to be unsatisfactory and the committee expresses the hope that there will be an improvement in this regard for the meetings now being arranged for the winter session. Dealing with the students' society, the report records that lectures were held on Saturday mornings throughout the winter with separate classes for Intermediate and Final students. Visits were arranged to a number of industrial establishments and the students' annual dinner and dance was highly successful. The report states that The West Wales Chartered Accountant Students' Society had an average attendance at lectures equal to nearly 50 per cent of its membership.

## HOLIDAY CROSSWORD

Compiled by Kenneth Trickett, F.C.A.



### CLUES ACROSS

1. Unreal issues of chattels (8, 7).
8. Perhaps the recital clause (7).
9. Guarantee as a matter of policy (6).
11. Figures in the main in estate accounts (5).
12. Bank's customer has an alternative to put down (9).
13. Prime racket adjusted by reference to stock exchange quotation (6, 5).
18. With regard to money, I can arrange to come in at the end (11).

19. Makes an impression in the books (9).
23. Delegate a man (5).
24. Where any ——— interest of money . . . (section 169, Income Tax Act, 1952) (6).
25. A share warrant shall ——— the bearer thereof to the shares therein specified . . . (section 83, Companies Act, 1948) (7).
26. They are issued by banks, and may be placed direct (7, 2, 6).

### CLUES DOWN

1. He commences a suit even before the quarrel (9).
  2. About 10 get into confusion describing money held in some long-term contracts (9).
  3. Mine-workers paid by the day, labour being covered by overheads (9).
  4. Rectify a succinct statement of account, so to speak, with reference to section 248 (3), Companies Act, 1948 (5).
  5. Government debts provide amusement with pennies and shillings (5).
  6. Under section 64, Income Tax Act, 1952, an appeal may lie to the House of Lords from the ——— of 10 (5).
  7. Attention to two points to assert on oath (5).
  10. See 6 (6).
  14. Levied an increase, 500 (6).
  15. He is generally a cabinet minister, of the same party (9).
  16. Pens cited in order to be examined (9).
  17. Any register kept under any former ——— relating to companies . . . (section 459 (12), Companies Act, 1948) (9).
  19. Gold coin, 20 by 25 inches (5).
  20. Concede a transfer of property (5).
  21. Only about five can find the answer (5).
  22. Fixture for book-keeping purposes, possibly (5).
- The solution will be published in next week's issue.*

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## Computer Systems Manual

THE year 1964 is already remarkable for several major improvements in the image of the accounting profession. First, the announcements of the Certificate in Management Information and the Joint Diploma in Management Accounting Services. These established the fact that the accounting profession is determined to produce the information men of the future and must, in due course, be reflected in the breadth and quality of the services provided by its members.

Another aspect of this recognition of its widening responsibilities is the profession's growing concern with the use of computers for data processing purposes. Their impact is now beginning to be felt more generally and it is apparent that it will have become dramatic by the end of the 1960s. While no one would suggest that electronic data processing should be the exclusive preserve of qualified accountants, it constitutes a development in which, in their role as the information men of the future, they must play a major part.

Progress in this sphere has recently been encouraged by the organization by The Institute of Chartered Accountants in England and Wales of five-day courses on electronic data processing, primarily concerned with the traditional areas of control and auditing. Now further leadership from the profession is provided by the publication of a *Manual of Computer Systems*<sup>1</sup> edited by Mr BRIAN A. MAYNARD, M.A., F.C.A., A.C.W.A., who has done much to encourage a vigorous reaction in the profession to current challenges and has also earned an outstanding reputation in this field.

One often hears criticism that the profession has failed to produce adequate literature of a truly professional quality. It is, therefore, refreshing that what must become a standard work of reference of the highest quality in this new field should have been produced by one of its members. It is also appropriate that such a work should come from a source whose independence is beyond question. The distillation of such a mass of data about systems which are constantly being modified and developed, must have been a formidable undertaking and the task of maintaining a quarterly up-dating service will be no less great. The editor and his team, together with the publishers, are to be congratulated on a remarkable achievement of analysis and lucid expression. They have raised the level from which discussion should from now onwards start; the relevant facts are presented clearly and objectively and allowed to speak for themselves.

<sup>1</sup> *Manual of Computer Systems*, volumes 1-3, £36. A brochure giving details of volume 4, the up-dating service, and future subscription rates, is available from the publishers, Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

FINANCE BILL

## Plant Hiring

PERHAPS the most interesting provisions of the new Finance Bill are clauses 16-18 and the Seventh Schedule which together attempt to impose a code aimed against avoidance of tax by means of agreements for the hire etc. of assets. Clause 18 deals with assets consisting of land or an interest in land; clauses 16-17 deal with all other 'assets' defined as 'any description of property or rights other than land or an interest in land'. In relation to these assets clause 16 lays down the general rule, subject to the special cases which clause 17 takes out of clause 16. The general object of the clauses was reviewed in these columns last week. It is to prevent the artificial turning of income into capital. This week we propose to begin an examination of the provisions in more detail.

The clauses are confined in every case to a 'lease' made after April 14th, 1964, but 'lease' has a very wide meaning. In the case of the non-land assets covered by clauses 16-17

'"lease", in relation to an asset, means any kind of agreement or arrangement under which payments are made for the use of, or otherwise in respect of, an asset, and includes, in particular, any agreement or arrangement all or any of the payments under which represent instalments of, or payments towards, a purchase price' (clause 16 (7)).

In the case of land and interests in land (clause 18) there is a different definition.

Strictly speaking, the word 'lease' is a misnomer in the case of an asset other than land, but this is perhaps a small diversion from accuracy compared with the vagueness of the definition itself. Clause 16 also refers to 'the lessee's interest in the lease', without defining 'lessee'. Presumably 'lessee' is not to be taken in its ordinary restricted meaning, but with a meaning widened correspondingly with the definition of lease. However, there must be some 'agreements' and 'arrangements' in which it is difficult to say who is the 'lessee' and who is the 'lessor' a word which appears in the Seventh Schedule without definition or explanation. And why speak of a lessee's interest 'in the lease'; should it not be the lessee's interest in the asset itself? Finally, the Seventh Schedule speaks, again without definition, of a 'sublease'. Given the vague

definition of 'lease', what could be a 'sublease', and who would be the 'lessee' and who the 'lessor'?

A prerequisite of the operation of clause 16 in relation to income tax is that a deduction by way of income tax relief of one of the undermentioned kinds is allowable in respect of a payment which is: 'made under a lease of an asset of any description' (clause 16 (1) (a)). Since 'asset' is expressly defined as meaning 'any description of property or rights other than land' it is a little doubtful whether the words 'of any description' in clause 16 (1) (a) refer to the asset, the lease, or the payment, or all three.

Although the kinds of deduction are said in clause 16 (1) (a) to be listed 'at the end' of the clause, they in fact appear as the fourth of seven sub-clauses. They are:

- (a) deductions in computing profits of a trade, profession or vocation;
- (b) deductions in Case VI computations;
- (c) inclusion in management expenses for the purposes of section 425 of the Income Tax Act, 1952 (as extended by section 438, and by section 69 of the Finance Act, 1960 (unit trusts));
- (d) Schedule E deductions for expenses;
- (e) deductions in computing woodlands profits.

Paragraph (a) deductions include deductions for an accounting period which is not reflected in any assessment (clause 16 (5)). We will call these five types of deduction 'sub-clause (4) deductions'.

Another prerequisite of the operation of clause 16 in relation to income tax is that the person who made the payment under the lease 'has obtained or obtains a capital sum in respect of the lessee's interest in the lease'. It does not matter whether this happens 'before, at or after the time when the payment' [under the lease] 'is made'.

Given those conditions, the person obtaining the capital sum is to pay Case VI tax on 'the amount of the payment in respect of which tax relief' [i.e. the sub-clause (4) deduction] 'is so allowed'. The clause does not in terms require that the person to be charged under Case VI must be the person who obtained the sub-clause (4)



deduction. However, the charge on him must not exceed the 'capital sum' (clause 16 (1)).

Now what is a 'capital sum'? For this, one must refer to the Seventh Schedule. Paragraph 1 says that 'capital sum' means:

'any sum of money, or any money's worth, except so far as it or any part of it is to be treated for the purposes of income tax as a receipt to be taken into account in computing the profits or gains or losses of a trade, profession or vocation, or profits or gains or losses arising from woodlands, or is, apart from [clause 16], chargeable under Case VI of Schedule D'.

To be caught by clause 16 (1), the 'capital sum' must be obtained 'in respect of the lessee's interest in the lease'. What does this mean? A most elaborate answer to the question appears in paragraph 2 of the Seventh Schedule. The answer does not so much define the expression, as set out a number of things which the expression 'includes'. If consideration in money or money's worth is obtained 'on':

- (i) a surrender of the rights of the lessor;
- (ii) an assignment of the lease;
- (iii) creating a sublease; or
- (iv) creating any other interest out of the lease;

then the money, or the value in money, is a sum obtained in respect of the rights of the lessee. Now we have already indicated that the definition of 'lease' is so wide as in some cases to make it a matter of doubt as to who is the lessor and who is the lessee. What is one to make of the reference to an assignment 'of the lease'? How can one assign, for instance, 'an arrangement'? One can only assign one's rights under it.

Insurance moneys payable in respect of the asset, so far as payable to the owner of the lessee's rights under the lease, also constitute a sum obtained in respect of the rights of the lessee (paragraph 2 (1) (b)). It will be remembered that none of these sums will be 'capital sums' within clause 16 unless they also answer the description in paragraph 1 of the Seventh Schedule.

Confusion is worse confounded by paragraph 2 (2) which attempts to circumvent devices whereby the lessee masks the destination of the capital sum. If the lessee's rights have gone to someone else by a transaction or series of transactions disposing of the asset or of an interest in it, then money or money's worth received by that someone else is also caught. Transactions particularly in mind here are:

'transactions which comprise arrangements under which the rights of the lessee under the lease are merged in any way with the rights of the lessor, or with any other rights as respects the asset, so far as the money or money's worth so obtained is attributable to the rights of the lessee under the lease'.

But that is not all, for the earnest draftsman is also worried about transactions which are not at arm's length, and he goes into these in some detail in paragraph 3. By paragraph 3 (1) he further extends the categories of sums which are to be treated as obtained 'in respect of the lessee's interest in the lease'. If they are obtained by a person who is an 'associate' of the person entitled to the lessee's rights under the lease they are also caught. What is an associate? A definition is contained in paragraph 5 and runs to half a page. Or rather paragraph 5 says which persons are to be deemed to be associated with each other for this purpose.

The paragraph broadly follows the lines of paragraph 20 of the Ninth Schedule to the Finance Act, 1962, which defines the circumstances in which persons are 'connected with' each other for the purpose of the short-term gains tax. The following persons are deemed to be 'associated with' each other:

- (a) any individual and that individual's spouse, and any relative, or spouse of a relative, or that individual or of that individual's spouse ('relative' meaning brother, sister, ancestor, or lineal descendant);
- (b) any person in his capacity of trustee of a settlement and any individual who in relation to the settlement is a settlor, and any person associated with that individual ('settlement' and 'settlor' being as defined in section 403 of the Income Tax Act, 1952);
- (c) any person and a body of persons of which that person, or persons associated with him, or that person and persons associated with him, have or have control;
- (d) any two or more bodies of persons associated with the same person by virtue of paragraph (c);
- (e) in relation to a disposal by joint owners, the joint owners and any persons associated with any of them.

'Body of persons' includes a partnership, and 'control' if as defined in section 333 of the Income Tax Act, 1952. *(To be continued.)*

# Group Personal Accident Insurance

by AN INSURANCE CORRESPONDENT

**T**HERE is no doubt that firms in general are realizing that they have moral obligations to the widows of men who die in service – especially, perhaps, if death occurs while a man is actually engaged on work on behalf of the firm. Whereas it is possible to arrange group schemes to protect widows, one of the problems is that the cost tends to be high, added to which there may be relatively little cover when a man first starts to work for a firm or is comparatively young.

Often, however, personal accident insurance can meet a real need, due to its relatively low cost. Thus it may be possible to arrange a group policy in addition to the widow's benefit scheme. Or, if there is no widow's benefit scheme, at least this is some form of protection which can be provided by the majority of concerns. As its name implies, a claim will be paid only for accidental death or injury.

This cover is, of course, quite separate from any widow's scheme, and there is no recognized way for the benefits to be calculated. For instance, they can be linked to the current salary being earned, but this is by no means necessary. If fixed amounts are insured, one arrangement is for the cover to be in multiples of £100 for accidental death. On the other hand, the same sum may be covered for accidental death plus loss of limbs and/or eyes. Temporary total disablement following an accident may be payable under such a policy in multiples of £1 per week. Incidentally, it is usual for payments under this latter benefit to be limited to an agreed maximum number of weeks – which could be twenty-six, fifty-two or 104 weeks.

## Twenty-four-hour Cover

It is possible to arrange a policy so that it covers a man only while he is actually working or on a business trip. But this can lead to difficulties, for there are many situations when it is very difficult to tell whether a man could be classed as being engaged on the firm's work or not. For instance, presumably if a man is travelling to an airport on a Sunday to catch an aeroplane for a business trip, the actual drive would count as part of his work. But on the other days, when he simply drives to the office, it is debatable whether he could be thought to be working until he actually reached the office. Where possible, therefore, it is sensible

that the cover should be operative for the full twenty-four hours of each day, for the cost will not be so very much more.

In this connection, it is worth mentioning that it has been calculated that in the case of a person embarking in an aircraft of the Viscount type, and proceeding to fly non-stop at 300 miles an hour, theoretically it would take twenty years before he was 'due' to be killed. During this time he would have travelled the equivalent of 2,000 circuits of the earth. Put another way it can be said that an individual, in the course of flying 10,000 miles – which is much farther than many people travel in a year – incurs a risk of death by accident equivalent to a net cost of 4½d per cent.

Thus, perhaps, it is just true to say that men who spend much of their time travelling expose themselves to more risk than those who are chairborne. Nevertheless, there is something to be said for the fact that a man who does not normally lead an active life is more likely to have an accident when he is at the top of a ladder painting a ceiling at home!

## Negligent Motorist

To what extent can compensation be claimed from other parties (especially so far as travelling is concerned) in the event of death by accident? So far as death resulting from a car crash is concerned, if it can be proved that the other motorist was at fault and had been negligent, clearly it may be possible to claim a substantial figure as compensation from the insurers of the other motorist. Court awards of up to £50,000 have been known. But it should be added that, on average – probably in less than one in two cases – will the whole fault lie with the other motorist. It is essential that personal accident insurance should be adequate.

When thinking of death caused in an air crash, the amount which can be claimed from the airline is limited. Most international flights are regulated by the Convention of Warsaw. If an airline wishes to turn down a claim for death or personal injury, it must be able to prove that all the necessary steps to avoid the loss had been taken. Clearly this is virtually impossible to prove after an accident.

Under the Convention, the liability of an airline

is limited to £3,000 in respect of any one person, although there is no limit if wilful misconduct can be proved. This, however, will not be easy to prove and it is a fact that in the past usually the limit of £3,000 has applied.

In the summer of 1963 the requisite number of thirty States ratified the Hague Protocol of 1955. The effect has been that, among the ratifying countries, the Warsaw Convention has been amended and the limit of liability to each passenger has been increased from 125,000 gold francs to 250,000 gold francs (i.e. about £6,000).

### Ratification

Unfortunately, although this may appear to be free from all complications, it may very well be difficult to determine when the higher limit of indemnity applies. For instance, apart from the question that only certain States have ratified the Protocol, the actual liability of an airline can depend on a considerable number of factors. Merely because a flight may be restricted to a certain country is not necessarily an accurate guide as to the position; much depends on the ticketing arrangements. Incidentally, in Scandinavia, any claim against an airline takes into account payments due under a personal accident policy. If they are substantial, the claim paid by the airline may not be as high as the limit.

There are a number of ways in which the necessary group accident cover can be arranged, depending partly on who will be covered. For instance, it may be thought sensible to confine the cover to executives and highly paid personnel or perhaps only those who travel extensively. However, it is undoubtedly more equitable that all staff should have this form of personal accident cover, which quite easily can be linked to salary so far as benefits are concerned.

Some concerns arrange their personal accident insurances on an *ad hoc* basis – perhaps covering only the actual days spent flying. The normal rate of cover for twenty-four hours spent flying is 2s per £1,000 insured, probably with a reduction if the risks covered are restricted to death. If cover is required for a week, the rate may be in the region of 6s per *mille*, and for twenty-three days it is likely to be about 10s per *mille*.

### Permanent Cover

There is, however, much to be said in favour of not effecting individual policies as and when they are required, but of arranging a permanent cover, for under *ad hoc* arrangements, there is always the risk that a particular journey may be overlooked,

or perhaps an executive may have to fly hurriedly at a week-end when it may be impossible for the insurers to be contacted so that the necessary cover may be obtained.

If a cover is arranged, it means that the company can declare against it periodically and pay the premium due to date. It is usual for the premiums to be collected at quarterly intervals. Since there can be no selection against insurers and there is a considerable saving in the paper-work involved so far as the insurers are concerned, often it is usual for a discount of from 10 to 20 per cent to be allowed off the standard premiums.

Nevertheless, mention was made earlier of some of the advantages to be gained by arranging for the insurance to be continuous throughout the year. The reason for this is simply that short-period insurance is relatively expensive, and it is possible that in some cases the annual cover could be cheaper in the long run – particularly so in the case of men who undertake much travelling. A point which should be considered, however, is that even if the annual insurance does cost more, the additional cover which is provided can be most useful for it covers the man when he is 'off duty' as well as when he is working. This, therefore, can be looked upon as a fairly valuable form of fringe benefit, especially if there is compensation under the policy for temporary total disablement following an accident.

So far as the limits and conditions in the policy are concerned, a question which sometimes arises is whether the insurance is restricted to regular airlines. Clearly, to some extent, the views of individual insurers tend to differ. Nevertheless, it can be said that policies can be arranged to cover all flying as a passenger – although it must be appreciated that in some circumstances there may be an increase in the premiums.

### Sums Insured

It is difficult to give guidance as to what is a reasonable figure for which to insure a man. Generally speaking, a capital sum of £5,000 is considered to be about the minimum figure, whereas senior executives and directors often are covered for sums ranging from £10,000 to £30,000, and some key men are insured for very much higher sums. In such cases it is usual for the weekly benefit under the policy to be limited to £100 per week, or to the man's weekly salary should this be less. It often happens that when this type of insurance is arranged on an annual basis, the lump-sum benefits may be equivalent to three or four times a man's annual salary.

Generally speaking, if the insurance is effected by a firm and it makes payments from the benefits at its discretion to employees or their dependants usually the premiums are not taxable in the hands of the employee as an emolument. Nevertheless, those earning in excess of £2,000 per annum may be assessed on part of the premium. The proceeds from the policy are, of course, taxable in the hands of the firm, but usually this is offset by the discretionary payment made to the employee or his dependants. Thus the employee will not be liable for income tax.

It is generally considered that there can be advantages to a firm if it sets up a trust – especially in any case where the *sole* intention is to benefit the employee or his dependants, and not in any circumstances to retain all or part of the com-

pensation within the firm. Estate duty is most likely to be payable only if the employee or his estate has a legal right to the policy moneys. If, therefore, the policy pays the firm, and the firm is not legally bound to pay the employee or his dependants, estate duty should not be payable. Where, therefore, a firm retains the right to make payments at its discretion, so long as the present practice of the Estate Duty Office continues, estate duty is not likely to be payable.

Incidentally, where a policy is issued for an individual, there is much to be said for arranging for it to be effected under the terms of the Married Women's Property Act for the benefit of his wife absolutely. In this way liability for estate duty can be minimized, or possibly avoided altogether.

## The Science of Price-fixing—I

by E. J. EROSTER

*For the purpose of this article, the term price-fixing is defined as determining and using the price that maximizes profit. It bears no reference to resale price maintenance.*

**P**RICE-FIXING is an act of policy-making. Policy decisions are necessarily made in the light of the available facts; and provided the policy-maker draws the right conclusions, then the more comprehensive and the more accurate the factual information in his possession, the closer are the results of his decisions going to be to his intentions. Even hunches or intuitions usually have a modicum of fact behind them. The facts may consist of an agglomeration of half-appreciated, half-digested information making up what is commonly called experience; nevertheless, they are facts, though the inferences drawn from them may not be the right ones, and the hunch therefore prove unfounded. It is one thing to foretell that there will be a tomorrow, quite another to forecast the profit or loss which the National Coal Board will record on this year's working.

Policy decisions on price-fixing are no exception. Products are often described as being made to sell at a certain price; and the fact behind the price decision may appear to be nothing more than the average cost. But the average cost for most products, and almost certainly for all manufactured products, varies with the rate of output of the product, the higher the rate of output within the capacity of the plant, the lower the average cost. For a new product, this kind of

crude 'cost-plus' approach to the problem of price-fixing is probably the best available, at any rate until the estimate of the rate of sales has been put to the test.

It can be said that in the private sector of the economy, every policy decision, sentiment apart, is designed to maximize the net profits of the firm. At least theoretically, there is for any product of any firm or of any group of firms operating a price ring at any given time, a price which would yield in a market a greater net profit than any other price, whether higher or lower; and commercially, it is the purpose of pricing policy to determine this optimum price as it may be called, and to put it into effect.

### Optimum Price

The optimum price is a function of the marginal not the average cost, and the degree of competition the product encounters in the market. A measure of competition is the price-elasticity of demand, which we can call simply the elasticity of demand or the demand elasticity.

Nothing could be simpler than the optimum price formula. It is the marginal cost, multiplied by the elasticity of demand, divided by the elasticity of demand less one; or algebraically:

$$p_m = \frac{ae}{e - 1} \quad \dots \quad (1)$$

where  $p_m$  is the optimum price,  $a$  is the marginal cost and  $e$  is the measure of the elasticity of demand.<sup>1</sup>

I have given a definition of marginal cost and described the methods of deriving it in a previous article.<sup>2</sup> Deriving the marginal cost is simple compared with deriving the elasticity of demand; and the bulk of this article is devoted to this latter problem.

Just as we were concerned with the marginal cost of a product of the individual firm, so we are now concerned with the price-elasticity of demand for a product of the individual firm. It is probably easier to derive  $e$  for a commodity as a whole than for a product of the individual producer; but the methods are similar. The trend towards monopoly or imperfect competition is making optimum pricing more and more a matter for the firm and less for the industry in association.

When I was a boy, such commodities as tea, sugar, butter and lard were sold by grocers unbranded. Sugar, for instance, was delivered to the grocer in hessian sacks, which may or may not have been stamped with the manufacturer's name; the grocer kept them on the floor behind the counter with the top rolled back, and he ladled the sugar out in a scoop and weighed and packeted it in a thick blue paper bag on the spot while the customer looked on.

### Perfect Competition

Competition in the home market for sugar was then perfect amongst producers, as the grocer undoubtedly bought his supplies in the cheapest market. Undoubtedly, too, there was a market leader amongst producers, the largest of them probably, and his price would be adopted by the others. If any raised his price by even only twopence a cwt above the market price, he would stand a good chance of losing the whole of his share of the market; and if he reduced his price by only twopence a cwt below the market price, he would, if the others did not follow his lead, tend to corner the whole market, and find himself with an order-book that would keep his factory working for years to come.

Of course, this did not happen very often, if at all. There was a market price for each quality of sugar in each market and no producer, apart

possibly from the market leader, could afford to depart from it. The same held true for the blends of tea, for butter, which was branded only by reference to the country of origin (I recollect Danish at 1s 2d a lb. retail, English at perhaps 1s 1d, New Zealand or Empire at 11d or 1s and Dutch at 10d or 11d), lard and other groceries. There was some, but not much, price competition amongst grocers, as there was no resale price maintenance in those days in respect of such commodities.

The elasticity of demand for sugar as a whole, butter as a whole and so on, was probably pretty low; that is, a change in the market price did not have much effect on sales. But for the product of the individual producer, the elasticity of demand was almost infinitely great. The slightest departure of his price from the market price would send his sales either down to zero or so high that he would corner the market.

### Imperfect Competition

My recollection is that tea was the first of these groceries to become monopolistic. The blenders began packeting them in packets displaying their brand names; and so Brooke Bond came to hold a monopoly of Brooke Bond's tea, the producers of Priory tea of Priory tea, of Typhoo Tips of Typhoo Tips tea, and so on. In short, branding introduced a measure of imperfect competition, and it gave to the demand for each producer's products an elasticity of demand very much less than infinity, but nevertheless still much greater than that for the commodity as a whole.

It can be said, therefore, that the elasticity of demand for a brand or product or service is a measure of the degree of competition which that brand or product is subjected to. When competition is perfect, the elasticity of demand is infinity, when there is no competition, the elasticity of demand is zero. Both of these conditions, particularly the latter, are theoretical; and only the former is encountered, and then but rarely, in practice. When competition is such that a rise (or fall) in price results in a corresponding decrease (or increase) in the quantity in demand (so that the gross receipts remain unaltered), the elasticity of demand is said to be unity.

In order to measure the elasticity of demand, we need to have recourse to the mathematical concept, and I give it in equation (2), as a matter of interest.

$$e = \frac{dq}{dp} \cdot \frac{p}{q} \quad \dots \quad (2)$$

For practical purposes, we can forget it, but be-

<sup>1</sup> For an analytical proof of this formula see my *Cost, Demand and Net Revenue Analysis* (London 1938), and for a geometric proof *The Economics of Imperfect Competition*, by Joan Robinson (London 1933).

<sup>2</sup> See my 'The concept and practice of marginal costing', *The Accountant*, February 15th, 1964.

fore we do we need to know more about its behaviour in relation to the sales curve. In Table I is a purely theoretical complete sales schedule, showing the calculated elasticity of demand for each price, ranging from infinity for zero demand, to zero for zero price.

Table I. A complete theoretical sales schedule.

Price per unit $p$ £	Quantity sold in year $q$ No. of units	Gross receipts $G=pq$ £	Elasticity of demand $e = -\frac{dq}{dp} \cdot \frac{p}{q}$	Marginal revenue $= 100 - 20q$ £
0	10	0	0.000	-100
10	9	90	0.111	-80
20	8	160	0.250	-60
30	7	210	0.429	-40
40	6	240	0.667	-20
50	5	250	1.000	0
60	4	240	1.500	+20
70	3	210	2.333	+40
80	2	160	4.000	+60
90	1	90	9.000	+80
100	0	0	infinity	+100

Nobody ever saw anything like this in practice, if only for the reason that the elasticity of demand does not vary so much for any range of prices to be found. However, an understanding of the characteristics of the complete schedule is important, and that explains my including zero price and zero sales.

### The Sales Curve

The sales curve is the gross receipts  $G$ , measured on the vertical or  $y$ -axis plotted against the quantity sold,  $q$ , measured on the horizontal or  $x$ -axis. If we plot the figures for  $G$  against  $q$  shown in Table I, we should get a curve rising from the origin, concave downward, reaching a peak at  $G=250$  and  $q=5$ , and then descending with the same concavity to  $G=0$  and  $q=10$ , the whole curve being symmetrical, as in Fig. 1.

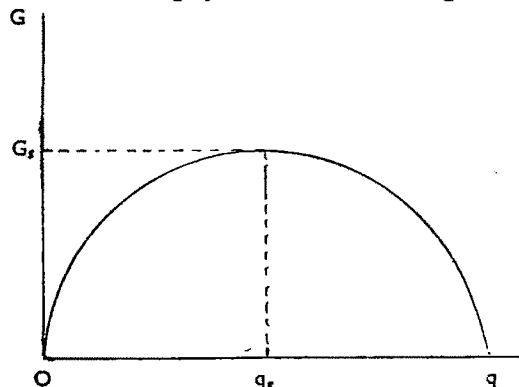


Figure 1

The figures for  $q$  and  $G$  in Table I are derived from the quadratic equation:

$$G = 100q - 10q^2 \quad \dots \quad (i)$$

Since  $G = pq$ , we have:

$$pq = 100q - 10q^2$$

so that:

$$p = 100 - 10q \quad \dots \quad (ii)$$

$$\therefore p + 10q = 100$$

$$\text{and} \quad q = 10 - \frac{1}{10}p \quad \dots \quad (iii)$$

Equation (ii) is the economists' so-called demand equation for this example, and its graph is a straight line, which will never be found in practice, but it is good enough for our purpose.

We need equation (iii) to calculate the elasticity of demand by applying equation (2), i.e.

$$e = -\frac{dq}{dp} \cdot \frac{p}{q}$$

In this instance,  $dq/dp = -\frac{1}{10}$ , a constant (those unfamiliar with the calculus may take it on trust), so that in this example:

$$e = \frac{p}{10q}$$

That is, the higher the price, the higher the elasticity of demand, and the greater the degree of competition, not only from commodities of like kind but also from substitutes, such as coffee for tea and margarine for butter, and indeed from all other spending attractions.

### Maximum Gross Revenue

I have said the peak of the curve is reached at  $q=5$  and  $G=250$ ; but we cannot always be sure that the highest reading necessarily gives the peak. Anyone familiar with the calculus will know that the true maximum can be determined by equating the differential coefficient of  $G$  with respect to  $q$  and equating to zero, since zero is the value of the slope of the curve at its maximum (or minimum). That is, for our example:

$$G = 100q - 10q^2$$

$$\frac{dG}{dq} = 100 - 20q \quad \dots \quad (iv)$$

Equating to zero, we have:

$$20q = 100$$

$$\therefore q = 5$$

substituting 5 for  $q$  in equation (i) we arrive at  $G=250$ .

The value of  $e$  for each price is shown in Table I. It will be seen that it begins at zero for

zero price, when competition is also zero and rises to infinity for zero sales when competition is intense. At the peak of the sales curve, where the elasticity of demand is unity, gross receipts are at a maximum. Although it may be interesting to know the corresponding price, it is rarely if ever possible to calculate it in practice as we shall see later. At any rate, optimum pricing is concerned not with maximizing the gross receipts but the net revenue or profit, so that the price  $p_s$  corresponding to  $G_s$  and  $q_s$  in Fig. 1 is of little interest. I would emphasize this as it would be easy for a firm which attempted to charge a price for its output which maximized the gross revenue, to find itself involved in considerable losses, purely on account of its price-fixing policy.

As we shall see, the optimum price is greater than  $p_s$ , that is, where a rational pricing policy is being pursued, the elasticity of demand must necessarily be above unity, unless the marginal cost is zero. Yet there are many firms whose sales managers believe that maximum gross receipts are the logical target, and so long as gross receipts are increasing with a falling price they are satisfied that the falling price is fully justified. Even the four main line railway companies fell into this trap before the war on their passenger-fares policy.<sup>1</sup>

### Interpreting the Sales Curve

Where the sales curve becomes horizontal, the elasticity of demand is 1, usually referred to as unity. At this point, or, as it would generally be in practice, over this arc of the curve, a change in price results in a change in demand such that the gross receipts remain constant. Also over this arc, gross receipts are at the maximum.

To the left of the arc of maximum receipts, the price is higher; and the elasticity of demand is above unity, that is, a fall in price attracts an additional demand great enough to yield an increase in the gross receipts, and a rise in price results in a fall in gross receipts. On the right of the arc, the price is lower; and the elasticity of demand is below unity, that is, a fall in price results in a fall in gross receipts, and a rise an increase.

As I have said, the concept of the complete curve can be useful. Consider, for instance, the zero-price end of the curve in its application to products and services for which there may be a time rate but no unit price, or where the unit price is so low that consumption could scarcely

increase if it fell to zero. Domestic water supply is an example of such a commodity. Travel by season ticket is an example of a service; and so are the free libraries and other services provided by central and local government.

The great value of the elasticity of demand is that it provides a numerical measure of the degree of competition. It may be an arbitrary measure, but once the investigator has become accustomed to thinking of competition in terms of demand-elasticity, the measure can become as meaningful to him as a simple measure of weight, length, volume or value, which, after all, are no less arbitrary.

The principal difficulty about the concept as a measure of competition is that it takes account of indirect as well as direct competition. But this may be a virtue. When a new kind of household good is first marketed, the demand-elasticity would probably be high entirely because of the indirect competition of all other classes of consumer goods and services, that is, all 'other spending attractions'. Hence, even for a commodity or service which has no close substitute, such as the first vacuum cleaner or the first electric washing machine, its price can be so high to begin with that there is very little demand, and the elasticity of demand so high that a fall of 50 per cent in the price may bring about a hundredfold increase in the demand.

It is sometimes said that the elasticity of demand is a measure of a consumer good's position or ranking in the scale of necessities and luxuries. That is undoubtedly true of a commodity as a whole; it is not true of any particular make or brand, except where it stands in a class of its own as, for instance, Colman's mustard did at one time. The demand for any commodity as a whole is always less elastic than the demand for any make or brand of it, for the reason that a particular brand or make is in competition with other brands and makes as well as with other spending attractions.

The elasticity of demand for many items of consumer goods in wide demand such as tea, bread, potatoes, soap, sugar and cigarettes is very low, much lower than unity; whereas that for any particular make or brand of such goods is probably very high, much higher than unity. All these commodities would rank as necessities. The elasticity of demand for luxury goods and services is high, and that for any make or brand of them higher still.

(To be continued.)

<sup>1</sup> See my 'The variability of railway operating costs', *Economic Journal*, December 1938.

# Tax Topics

## COUNTING OUR WEALTH

THE annual reports of the Commissioners of Her Majesty's Inland Revenue become annually more useful as statistical source books. There is admittedly a long way to go before it will be possible to estimate with any degree of reliability the actual sums paid in all types of tax by different individuals and different households. Nevertheless, the amount of information provided on the individual taxes administered by the Inland Revenue is considerable. The 106th report (discussed in a leading article in *The Accountant* of April 4th) contains an interesting analysis of estate duty, which reveals that of 306,204 estates which came into the ken of the Estate Duty Office in 1962-63, only 55,448 were valued at over £5,000. The remainder of this figure, i.e. a quarter of a million estates totalled £364 million, compared with the aggregate value of the dutiable estates of £1,066 million. There were only 277 estates valued at over £200,000 in 1962-63, and together they totalled £115 million.

## ESTIMATING TOTAL WORTH

THE Estate Duty statistics have enabled the Inland Revenue statisticians to make estimates of the wealth of individuals in Great Britain for the three years 1960-62 inclusive. The figures are at best tentative, being based upon a sample, the results from which are then adjusted by reference to the number of inhabitants in the population in the age groups and sex of the deceased. The method is by no means new; it has been used intermittently for the purposes of such estimates ever since Harcourt introduced the graduated estate duty in the 1894 Finance Act, from which the present duty stems. In 1962, aggregate personal wealth, i.e. wealth in the hands of individuals as distinct from corporate bodies, totalled £46,827 million, of which males contributed £26,627 million and females £20,200 million. The largest individual holdings in estates related to quoted ordinary shares which contributed £9,043 million, but unquoted ordinary shares, presumably interests in private companies, are shown at £2,574 million. The importance of life assurance is sharply brought out by the total valuation of £7,144 million, and liquidity is fairly high since Post Office and Trustee Savings Banks, deposit and current accounts at banks, together make up £8,121 million. The proportion of cash held varies widely, as is the case with equities, according to the size of the estate. Generally speaking, cash predominates in the smaller estates and equities in the largest. The popularity of building societies is strikingly brought out by the figure of £2,957 million, which is only slightly smaller than the £3,384 million

held in British Government securities. The thought that does emerge from a study of the distribution of the assets of the community is that even now the full implications of inflation on many assets are not fully appreciated by their owners. For those contemplating an annual wealth tax the highly skewed distribution of wealth in the United Kingdom may offer some justification for this fiscal device.

## REVISE OR SCRAP?

THE complexity of the annual Finance Acts and the Income Tax Acts represents the modern form of piling Ossa on Pelion. At intervals there are suggestions that the whole thing should be revised, and more recently the President of the Association of Certified and Corporate Accountants has urged a simplification of the existing law. There have been two examples recently of simplification, actual and proposed. The first was the abolition of Schedules A and B, and their replacement by Case VIII, and the latest is the proposal to put company profits on to an accounts basis for income tax. Of the first, it is difficult to find anything new to say, except to underline the incredible complexities of Case VIII. These are, of course, not so much due to the abolition of Schedule A as the need to counter prospective avoidance in property ownership.

Nevertheless, it must have come as an eye-opener to many of those who have browsed through the White Paper (Cmd 2347) on the new proposals for taxing company profits (*The Accountant*, May 2nd, 1964) to realize just how many consequential amendments a relatively simple change can in fact entail, quite apart from the transitional difficulties arising from the new scheme. Anyone who still believes that the Income Tax Acts can be simplified easily should study this Command Paper. The one positive idea which it does prompt is that the United Kingdom Income Tax Acts may be a classic case where their complete scrapping and starting from scratch may be a lot cheaper, a lot simpler, and an infinitely more effective mode of reform. The justice of this assertion is evidenced by the following note based on the Public Accounts Committee's Fourth Report.

## REFUNDING UNPAID TAX

THE recent Fourth Report of the Public Accounts Committee drawing attention to the anomaly or abuse, depending of course on one's point of view, of the investment allowances has attracted the attention of Parliament. The difficulty is, apparently, that the amount of profits that actually bear tax may be considerably less than the amount of profits nominally charged to tax, the difference arising in the main from the effects of capital allowances. As far as the initial and annual allowances are concerned, the effect normally is merely to defer a company's ultimate liability to tax on its full profits, but the investment allowance does in fact provide a real relief from tax since, of course, it exceeds the value of the asset. To



the extent that profits are inflated by virtue of these capital allowances, dividends may be distributed out of profits which have not borne tax, but tax is nevertheless assumed to have been deducted from the dividend. The effect is that individual and tax exempt shareholders, such as superannuation funds and charities, can claim a repayment of tax which, in fact, the Revenue has never received from the company.

The Public Accounts Committee were informed by the Inland Revenue that this problem did not arise as a result of the investment allowances, although it is aggravated thereby, but it was a problem of long standing. The reason that no action had been taken was that the difficulties of changing the system outweigh the advantages. The irony of the situation is underlined by the statement that the Revenue has not been able to estimate with any precision the amount of tax involved. Some light on this was thrown by the Report of the Comptroller and Auditor-General in which he demonstrated that ten large companies, all in receipt of large capital allowance and which had declared dividends amounting gross to £228 million, had nevertheless been assessed to tax in respect of profits and other income totalled at only £127 million. Capital allowances utilized by the companies exceeded depreciation charged in the companies' accounts by £92 million. As a result of all these transactions, the Comptroller and Auditor-General estimated that there had been repayments of tax on £32 million (equivalent to tax of £12 million at the current standard rate) which had not been, or ever would be, received by the Revenue. No doubt the Treasury is right in asserting that this anomaly is 'incidentally a consequence of the investment allowance system', which is itself, of course, an important instrument of economic policy. Nevertheless, the fact remains that it has arisen and will no doubt persist, simply because the taxing statutes have become so complex that it is often easier to allow things to drift on rather than try to change them.

### FISCAL CONSEQUENCES

AS the recent Report of the Committee on Turnover Taxes made clear, the present structure of capital allowances in the United Kingdom is already the highest of any major industrial nation. Mr Wilson has hinted that still higher capital allowances might be used to encourage selected industries to adopt more capital intensive production methods. Professor Merrett and Mr Sykes, in an article in *The Investment Analyst* (May 1964), point out that the stage has already been reached where the Government is financing a significant proportion of capital expenditure by companies. Since such investment is an economic activity it cannot be dissociated from its true costs, and artificial inducements by the Government to further investment could, as the authors of this article point out, create a situation in which the Government was virtually paying firms to invest in new plant almost regardless of the rate of return to

the economy. Before such a policy is implemented, the authors contend that a great deal more empirical investigation of the facts of the situation is required.

There is a widespread belief that the Labour Party, would, if returned to power, reintroduce the dual rate profits tax. The defects of this tax are that it leads to an unhealthy degree of self-financing regardless of the economic case for ploughing back retained profits, and that it may also have restrictive effects on the supply of capital in the economy. The authors of this article assert that there is considerable truth in the first part of this criticism. Indeed, there are many in industry who share this view. Perhaps the most serious implication of higher retained profits is the effect they would have in nullifying a restrictive credit policy, which in turn would have the effect of forcing the public, rather than the private sector to restrict its investment outlays.

### INTERNATIONAL TAXATION

THE International Bureau of Fiscal Documentation in Amsterdam has revised the format and content of its *Bulletin*. The first issue of the new series (dated January 1964) contains a summary of tax news throughout the world, together with an introductory article on the interest equalization tax in the U.S.A. which has attracted so much attention both there and in Europe.

Readers will probably be aware that this controversial measure was introduced by the late President Kennedy's administration in an attempt to correct the U.S. balance of payments position. This, in contrast with Britain's balance of payments problem, arises from a severe imbalance on capital account. It was hoped to discourage overseas private investment by imposing an interest equalization tax whereby the cost of capital raised by foreigners in the U.S. capital market would approximate more closely to the rate ruling in the home capital market. In fact, the uncertainty surrounding the provisions of this legislation has been such that the flow of capital from the U.S. on private account for a time virtually dried up. It is hoped that this will revive in due course, since the object is not to halt the outflow completely, but merely to reduce it.

### FISCAL CHANGES

THE Parliamentary answer is a most useful source of information. One recent questioner elicited a table of annual changes in the yield of most U.K. taxes between 1951 and all later years. While the aggregate yield of all taxes rose between 1951 and 1962 by only 67 per cent, the corresponding increases for personal income and corporate taxes were 113 and 27 per cent, respectively. The indices of the yield from indirect taxes in 1963 (1951=100) make equally interesting reading; for wine the index is 138, and spirits 182; but the tobacco duty yield gives an index of only 144. Is this a justification for the latest increases in the wine and tobacco duties in the Budget?

# Weekly Notes

## ECONOMIC PROSPECTS

**C**RITICISMS voiced after the Budget to the effect that Mr Maudling was unduly optimistic about the level of additional taxation needed to cut back inflationary spending are renewed in the latest survey of the United Kingdom economy in the *Economic Review* for May of The National Institute of Economic and Social Research. The main point made is that the recent revival in fixed investment in the private sector is gathering momentum when private consumption expenditure is already running at a very high level. The authors of the *Review* article anticipate that overall demand will henceforth tend to rise at about 5 per cent per annum and, with the continuing fall in unemployment, pressure on resources is bound to mount.

While exports are increasing at what the *Review* describes as a 'fair rate', the balance of payments has deteriorated in part because of the rising volume of imports due to restocking, and partly because of higher world commodity prices. The first of these factors should tend to become less significant now that stocks have been renewed, but given the world demand for commodities, prices of United Kingdom imports will tend to rise further. However, after reviewing the prospects in the world's markets for British exports the article concludes that on the assumption of some continued rise in prices, a rise of 7-8 per cent in the value of exports during 1964 looks a 'reasonable possibility'.

The *Review* concludes with the reflection that the Chancellor's policy 'entails fairly clear-cut risks'. The problem to which the authors direct attention is that the Chancellor has no effective weapons left to tackle the situation if the expectations of the National Institute economists prove more accurate than those of the Chancellor. In their opinion the investment boom has reached the point at which any attempt to slow it down would cause waste and uncertainty. In the circumstances the only course open to the Chancellor is to try and ride out the boom with its attendant pressures on the capital goods industries. Some contraction of demand might be achieved by deferring or limiting some Government expenditure, but any limit on hire-purchase facilities could hit the durable consumer goods industries and thereby destroy business confidence. The provision made to use the 'regulator' of Customs and Excise duties is, argue the authors, inadequate to meet the needs of the situation which may emerge. In brief, it will be interesting to see whether Mr Maudling can again prove his critics wrong, just as he did last year.

## WAGES AND PRICES

**T**HE 'cost push' thesis as an explanation of the inflationary pressures in Britain since the war has considerable substance, but it can be overstressed. A recent memorandum presented by the Purchasing Officers' Association to the National Incomes Commission attracted considerable publicity by its contention that many of the price increases in the engineering industry were not justified by the changes in costs of production.

Another article in the National Institute's *Economic Review* examines the basis for this charge and finds that between 1954 and 1962 there was no general tendency for prices in the engineering industry to rise faster than costs; if anything the tendency was the other way with, as a consequence, a decline in the ratio of profits to turnover. On the basis of a sample of the statistical information on prices made available by the Board of Trade, which maintains records of quarterly price quotations of some three thousand engineering products, the *Review* concludes that there were varying rates of increase in both costs and prices within the period. Nevertheless, there was a marked tendency for price increases, when they occurred, to average about 5 per cent. Even in 1959 when the overall index of engineering prices tended to fall slightly there were more changes in the sample of +5 per cent than any other amount. The conclusion drawn is that business men tend not to make very small adjustments to their prices, but often wait two or three years until the increase in costs justifies a fairly substantial increase in selling price.

The greatest variability was noted in the time interval between price changes. It was noted that when the increase in costs accelerated, the average time interval between price changes shortened. It was, states the *Review*, the varying number of price changes in any period rather than their size which determined the change in the overall index of prices.

## CONTROVERSY ON INVESTMENT CLUBS

**M**R R. F. M. WILKINSON, Deputy Chairman of the London Stock Exchange, passed some comments on the future of investment clubs when addressing a branch meeting of the Institute of Directors in Liverpool last week. He called for rules to safeguard the cash and investment holdings of such clubs. He said that he understood that there were about two thousand two hundred such organizations with a membership of over fifty thousand, rather less than half of them belonging to one or other of the two independent bodies which offer guidance. These are the Association of Investment Clubs in Liverpool and the National Association of Investment Clubs in London.

Mr Wilkinson thought that there should be simple rules in the presentation of accounts to members and

hinted that if something were not done the Stock Exchange might introduce restrictions on stockbrokers who took part in them.

These proposals produced a ripost from the president of the National Association of Investment Clubs. He said that while the National Association of Investment Clubs welcomes help, encouragement and criticism, he thought that their growth might be hampered by unsuitable restrictions and the general secretary, making a personal comment to the Press, said that the Association's advice to new clubs included a legal constitution and rules, a formal trust deed for the club's trustees to sign and lodge with a bank and general advice including drawing up annual accounts and introductions to stockbrokers. He said that in the six years' existence of clubs in Britain no case was known of defalcation of a member of the Association.

### GAMBLING FEVER

THE disappointment among many taxpayers that the Chancellor deferred yet again the introduction of more remunerative taxes on gambling will not be allayed by the latest report from the Churches' Council on Gambling. It is estimated that in 1963, the turnover on all forms of gambling (exclusive of gaming in clubs) was £866 million. This figure may well be an underestimate. A report to the New York State Legislature gave an estimate of gambling in Britain of £1,290 million for 1962-63.

The least reliable figures in these estimates are the estimates for gambling on horses and the sums staked in bingo sessions in the commercial clubs. Quotations from bookmakers and other informed observers suggest that the habit of betting has spread with the opening of the betting offices. There have been some substantial increases in the number of betting offices. In Reading their number has risen from twelve in 1962 to nineteen in 1963; in the same period Exeter had an increase from eight to twelve and Plymouth from eighteen to twenty-seven. The ratio of the number of betting offices to 10,000 population, however, is in these towns still well below that in some of the Midland areas. In Reading and Exeter the mid-1963 figures were 1.6 and 1.5 respectively compared with Walsall with 4.0, Manchester 4.4, and Blackpool 5.6 offices per 10,000 population, although the latter figure is obviously a product of the holiday-makers' impact on that town. More significant is the perceptible increase during the last three years. In England, the proportion of betting offices per 10,000 inhabitants rose from 1.54 in 1961 to 2.6 last year. In Wales the increase was from 2.47 to 4.78, although in Scotland it was only from 2.91 to 3.21.

However unreliable some of the estimates of sums staked may be, there are good reasons for believing that the Churches' Council on Gambling data underestimates the full extent of this social problem.

### WORRY ABOUT STEEL IMPORTS

DURING the first three months of 1964, shipments of foreign steel to Britain were 627,000 tons compared with 243,000 tons in the same period of 1963. The size of the increase has already attracted the attention of the Iron and Steel Board, the National Economic Development Council and the British Iron and Steel Federation. The Federation is carrying out a survey of its own.

About one-third of these imports seem to have been due to special circumstances, of which about one hundred thousand tons may have been due to a temporary drop in supplies.

It seems also to have been due in part to the speed of the recovery in demand for steel accelerating more quickly than steel capacity taken out of commission can be reinstated. The dislocation caused by the strike early in the year at the Steel Company of Wales has also been a factor. Some of the steel seems to have come into this country to be finished and reshipped.

Altogether, these special circumstances may have totalled about two hundred thousand tons of steel shipped into Britain in the first quarter of the year, but this leaves a substantial margin to be accounted for. There have been claims that some of the imports have been dumped and there are other reports that the steel imported is of a higher quality than the local product. A survey of the position is certainly desirable since the maintenance of a high level of imports of steel into this country has serious effects not only on the steel industry but also on the balance of payments situation.

### A PLAN FOR INCOMES

WHATEVER differences of opinion may exist between the major political parties or economists on the state of the economy, they are united in the view that an incomes policy is essential to stability. In his Budget address Mr Maudling took the opportunity to dissociate himself from the classical argument recently expounded by Mr Enoch Powell that the free market would resolve the problem.

A new pamphlet entitled *National Incomes Policy*, by Dr Elliott Jacques, who is associated with the Glacier Project research, proposes a new approach<sup>1</sup>. Quite rightly he stresses that the basic problem inherent in what is termed an 'incomes' policy is not the absolute level of incomes or the rate at which they increase. Rather it is the difficulty of ensuring acceptable differentials between labour within the same industry as well as that in other industries. The essence of his scheme is what he terms the 'timespan of discretion', which he argues, measures objectively the level of work in any employment from the shop floor to top level management. The meaning of this criterion is the maximum period of time which

<sup>1</sup> Published by K-H Services, 162 Buckingham Palace Road, London SW1. Price 2s net.

the employee at any level can work without a review of his work. The author is at pains to dissociate this policy from conventional job evaluation processes. He asserts that it is a technique which has been applied to a wide range of occupations both in the United Kingdom and overseas.

In support of his proposal Dr Jacques asserts that 'individuals paid in accord with the scale for their level of work state that they feel fairly paid'. Fundamental to this scheme, and, of course, to any system of ordered pay, is the maintenance of full employ-

ment and the author asserts that by linking pay increases to the level of work done no inflationary pay awards would be made. It seems, however, that official opinion in the Treasury and the Ministry of Labour is dubious, not least on the grounds that it implies 'intuitively known norms of fair payment'. As a contribution to the present discussion the pamphlet is to be welcomed, but it is a pity that the author did not develop his methods in its pages rather than referring the reader to his other published work.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 225

OUR old friends Gilbert and Sullivan have insisted that it is, it is, a terrible thing to be a pirate king; but in a way a chief accountant is even more awesome. When business is prosperous, when the profits are bursting the appropriation account at the seams, when his status is recognized, he too can bear himself like a king. In other words, I've realized I'm not doing too badly these days.

Times have changed since the deputy-chairman refused to paint our dingy offices on the grounds of expense, though the grime of a decade had soiled the red and white panelling. We have moved on since the day that the chairman instructed me to refuse our auditors' long overdue request for an increased fee . . . 'see if you can settle for half the amount,' he said . . . I sat up late that night gloomily drafting a 'situation wanted' advertisement.

Today my polished desk with the right-angled sweep, the original water-colour on the papered walls, and the thick-piled carpet, whisper gently of fat annual transfers to reserves. My private secretary's room is bigger than my erstwhile office, and our auditors bask in the lavishness of a four-figure cheque annually. They don't harass us over trivial clerical errors either. No more pained hintings that that £95 10s 6d surely, but surely, appertains more to capital than to revenue; no more requests for tabulated analyses of the repairs and renewals account.

Now the senior auditor sips his morning coffee and scans in off-hand style our draft computation. 'With the additional 30 per cent investment allowance you might prefer to capitalize that lift-shaft item, perhaps', he murmurs. 'True, true,' I assent courteously. 'What would you like to recommend, you being the expert and all that?' I know, naturally, that he's

skimmed lynx-eyed through the figures the previous day; he knows that our three ablest Schedule D brains have pored over them for weeks; we've spotted all the angles. But politeness prevails.

Our local tax man, alert and charming, rather like James Bond in his friendlier moments, telephones some minor comment and confirms that the assessment is agreed. He refers delicately to the profits tax liability. I finger my pigskin-bound desk diary (the boast of heraldry, the pomp of power) and say that the cheque will be in the post tomorrow. We refer high-mindedly to William Pitt's over-optimistic outlook on the duration of income tax and exchange farewells.

Later I stroll through our sundry debtors' section, once the bane of my working hours. The old days of post-dated cheques and bad debts and argumentative customers, offended or offensive, are gone – or nearly so. Two calm and confident young crown-prince types control admirably all but the top-level headaches. Delegation has worked out admirably; my problems are a thing of the past . . . I realize sadly that I miss the old cut-and-thrust, the clash of personalities, the human angles.

Still, as Shakespeare remarked in one of his more profound moments, what a piece of work is an accountant! How noble in reason! How infinite in faculties! (The misprint in the usual editions of the Bard's works is probably due to some hack copyist overdoing the Malmsey.)

I wonder sometimes whether the outer world shares William's views. Consider, for example, the following 1961 excerpt from a more modern writer, Mr P. G. Wodehouse, in his *Ice in the Bedroom*:

'All chartered accountants have hearts as big as hotels. You think they're engrossed in auditing the half-yearly balance sheet of Miggs, Montague & Murgatroyd, general importers, and all the time they're writing notes to blondes saying: "Tomorrow. One o'clock. Same place."'

P. G. W.'s views on butlers and golfers and the gilded youth of the Upper Ten, Jeeves and Cuthbert and Bertie, coloured the opinions of the last generation to no mean extent. But it would never do for the present generation to accept his opinion of accountants.

# Reviews

## Introduction to Business Computer Programming

by T. W. McRAE, C.A. (Gee & Co (Publishers) Ltd, London. 25s net. Post free (Inland) 25s 9d.)

This is an essentially practical book which seeks to prove the author's statement that no preliminary qualifications are required for programming except a certain basic common sense. The book is intended for accountants, bankers, managers and others who wish to acquire a general idea as to what programming is about.

The author does not claim that this book is a manual for programmers, but stresses that it is an introductory work to be supplemented by further reading. It is especially well suited to the needs of anyone about to attend a course on programming, since not merely does the book give an elementary but clear exposition of the basic programming process, but it also introduces and explains the nature of computers and their probable impact upon the administrative structure.

## Tax Planning with Precedents

Fourth edition by D.C. POTTER, LL.B., H. H. MONROE, Q.C., M.A., and STEWART BATES, M.A. (Sweet & Maxwell Ltd, London. 72s 6d net.)

This new edition of *Potter and Monroe* contains additional matter about tax avoidance schemes which use insurance, and about the Variation of Trusts Act. The omission of insurance schemes in previous editions was a gap which has now been filled. However, enthusiasm for such schemes must be considerably modified by the very large cut which seems to go to the insurance company; a point which the textbook could well have mentioned.

In dealing with the meaning of 'irrevocable' in relation to a settlor's infant children the book rightly says that apart from avoiding the pitfalls laid by section 399 of the Income Tax Act, 1952, the settlement must also be irrevocable under the general law. It is at least doubtful whether some of the settlements advocated in the book would themselves be irrevocable in this sense.

In relation to the difficulty of accumulation in discretionary settlements the book mentions the device of contingent allocations of income and adds that 'considerable ingenuity may need to be exercised to keep such contingent trusts within the letter of section 164 of the Law of Property Act, 1925, and within the perpetuity rule'. The reader would have welcomed some guidance on this, but the voluminous precedents in the book are silent on it. This at any rate proves how difficult it is.

There is a curious hybrid document on page 220 which calls itself a 'declaration of trust' but purports to express the settlor's *intention* to add further scheduled assets to an existing settlement. The text argues that such a document does not attract *ad valorem* duty but this seems to be a highly doubtful statement. If the document, belying its own name, is not a declaration of trust, what is it?

The authors should look again at section 244 of the Income Tax Act, 1952. They seem to be under the impression that it applies only where a surtax payer has been charged to tax on income from a discretionary trust. Given that the taxpayer is an object of such a trust, it applies whether or not he has already had income from it.

## Modern Management Methods - PERT and C.P.M.

by DAVID M. STIRES and MAURICE M. MURPHY. (Materials Management Institute, Boston, Mass. - Industrial Education International Ltd, London. 70s net.)

This book was first produced in January 1963 since when it has run to three printings. For the uninitiated PERT stands for Program Evaluation Review Technique and C.P.M. for Critical Path Method, and it is perhaps inevitable that both owe their rapid growth and recognition (especially in the U.S.A.) to the growth of the use of data processing equipment.

In a review of the history of PERT, the authors recount its outstanding achievement as the means of bringing Polaris to combat readiness over two years ahead of schedule. Basically, PERT is a work flow schedule produced at a preliminary stage in planning, and generally used in conjunction with a computer for forecasting purposes. Its application to major contracting work is an obvious use and it can be translated into a budgetary control method quite readily.

C.P.M. started its life in the Du Pont organization as an attempt to evolve a system to improve present methods of planning. It has some similarities to PERT, but whereas PERT assumes the need to plot a course between the optimistic and pessimistic extremes, C.P.M. involves planning in cases where there can be far greater exactitude of cost estimation. Both techniques are inadequate when a diversity of resources or projects are to be considered simultaneously.

It must be obvious that the above is only a brief explanation of the basic reasoning behind these two related systems. Both fall within the general description of what we have come to know as 'operations research' which has itself developed into a new technical field into which accountants as a profession have hardly entered. It is, however, essential that they should know what it involves and how it may be of use, its advantages and its limitations, especially as it is intimately connected with the use of data processing equipment with which the profession must establish a more intimate relationship for its own sake.

The authors have contributed a book which is easy to understand even for those who normally flinch at equations and the use of higher mathematics in business problems. The examples are homely and relevant and, as befits a study sponsored by the C-E-I-R organization, a good introduction for anyone with little knowledge of the subject, while not failing to cover its declared ground completely. It is, however, a pity that no space in the volume could be found for the more advanced technique (developed by C-E-I-R themselves) known as 'Resource Allocation and Multi-project Scheduling'.

In a note to the book the authors state that it is prepared as an elaboration of a three-day course, rather than an introduction to anyone unacquainted with a basic knowledge of or instruction in the systems. This is less than fair to its straightforward approach, though it could be argued that (as sometimes happens with this type of subject) the book could well have been written as a thesis – an impression reinforced, perhaps, by the style of printing. Certainly some knowledge of computers is helpful.

There are some small errors in the opening page index and some of the examples are unduly reduced in order to fit the page size, but these are minor blemishes.

### Income Tax (with supplement)

by J. LEIGH MELLOR, LL.B. (Sir Isaac Pitman & Sons Ltd, London, 30s net.)

This new book, written by a barrister, is intended for accountancy, banking, secretarial and law students. It describes and summarizes the law as it stood in 1960 but a brief supplement brings in changes up to and including the 1963 Finance Act, although Case VIII is inevitably touched upon only in the most general terms.

This market is highly competitive and any newcomer to it must be judged by reference to the existing texts. On balance Mr Leigh Mellor's book comes out of the test quite well and students embarking upon their tax studies could do worse than browse through this and other texts to determine which they prefer. A good point in this book is the stress laid by the author on the language of the statutes.

### Economic Growth in the West

by ANGUS MADDISON. (George Allen & Unwin Ltd, London, 30s net.)

This study, sponsored by the Twentieth Century Fund, examines in particular the economic record of the advanced economies of Europe and North America over the past decade, although there is some historical material as well. The main interest in this work for the British reader will be Mr Maddison's explanations of why Britain's rate of economic growth in recent years has fallen short of that in other capitalist societies. He believes that the tendency to

cut investment whenever short-term crises necessitated Government action was one factor limiting growth, while another has been the attempt to maintain sterling as an international currency.

There is a great deal of information in this book relating to economic policy in the O.E.E.C. countries, and Mr Maddison has much to say that is of interest, much of the argument being supported by relevant statistical data. His fellow economists will be the main beneficiaries, largely because the material is compressed and the argument is throughout at a fairly high level of economic sophistication. Nevertheless, for the layman who is interested in economic affairs, there is a great deal in this book which he will find of interest, and will contribute to his better understanding of current economic issues.

### The A.B.C. of the Foreign Exchanges

*Thirteenth edition* by NORMAN CRUMP. (Macmillan & Co Ltd, London, 25s net.)

The last edition of this standard textbook appeared eight years ago, and in the light of the rapid changes on the financial scene the appearance of a new edition is to be welcomed. The author has been greatly assisted by the wealth of information contained in the *Quarterly Bulletin of the Bank of England* which has appeared since the last edition was published. For anyone wishing to have a straightforward and comprehensive survey of all aspects of international finance, this book can be recommended. It will prove useful to students as a reference book.

### RECENT PUBLICATIONS

COMMERCE FOR COMMERCIAL AND SECONDARY SCHOOLS, by A. J. Favell, B.Sc.(ECON.) Seventh edition by N. Crowther, A.C.I.S., A.C.W.A., A.M.C.I.A. x+266 pp. 9×6. 10s. Sir Isaac Pitman & Sons Ltd, London.

STERLING IN THE SIXTIES, by Christopher McMahon. Chatham House Essays: 4. vi+118 pp. 7½×5. Card covers. 8s 6d net. Published for the Royal Institute of International Affairs by Oxford University Press, London.

EXAMINATION ENGLISH, sixth edition, by J. B. C. Barnard, B.A. viii+253 pp. 9×6. 12s 6d net. Macdonald & Evans Ltd, London.

ESSENTIALS OF ECONOMICS, third edition, by I. Glyn Jones, M.A. 362 pp. 9×6. 35s net. Post free (Inland) 36s 3d. Gee & Co (Publishers) Ltd, London.

THE TRAVELLING CONSUMER. 124 pp. 8×5. Card covers. 6s post free. Consumers' Association, 14 Buckingham Street, London WC2.

THE UNIVERSAL ENCYCLOPEDIA OF MATHEMATICS, translated and adapted from Meyer's *Rechenruden*. 715 pp. 7½×5½. 42s net. (U.K. only.) George Allen & Unwin Ltd, London.

A HANDBOOK ON BANKRUPTCY LAW AND PRACTICE, second edition, by Ivan Cruchley, LL.B. xxxix+266 pp. 8½×6. 50s post free. The Solicitors' Law Stationery Society Ltd, London.

COMPTABILITÉ ANALYTIQUE ET CONTRÔLE DE GESTION (Accounting analysis and control for management), by Pierre Lauzel. 463 pp. 9×7. Card covers. F.42. Editions Sirey, 22 rue Soufflot, Paris 5e.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

# Finance and Commerce

## Lesney Products

THIS week's reprint is from the accounts of Lesney Products & Co Ltd, a company well-known for its 'Matchbox' toys but probably not so much in the public eye as regards its commercial diecasting. But more than twenty-five million castings were sold in 1963 to companies with household names, including the car, electrical, textile, radio and television makers.

The outstanding point in these accounts is growth, as will be seen from the profit and loss account. One important result of growth from the accounting angle is a change in the basis of provision for depreciation. 'Consequent upon the extended shift working of plant', Mr P. M. Tapscott, the chairman, points out, 'it becomes essential to depreciate at accelerated rates' and, as the note to the profit and loss account explains, the additional depreciation charge amounts to £33,767.

A further reflection of growth and the increased profit that has come from it is a substantial increase in the amount of remuneration under service agreements waived by the two joint managing directors. This time it is £45,756; last year, it was £27,872.

The fact that the work of the auditors has been recognized will also be noted in the accountancy context, with general satisfaction.

## Pressure in Margins

Mr Tapscott says the past year's success reflects particular credit on the executive, as a series of problems arose. One was the building of the new factory in order to double productive floor area. Cost is estimated at £900,000 and, at balance sheet date, some £600,000 had been paid out. Increasingly, therefore, over the last year, the outgoings have had to be carried without any immediate profit benefit in profit-earning potential. An immense problem during the year, he says, was to maintain profitability of capital with a major investment not yet at the income earning stage.

Incidentally, it has been felt prudent to commence depreciation on the new factory although it is not yet complete; the sum provided in the accounts is £10,000.

Another problem was the rising price of the com-

### LESNEY PRODUCTS & CO. LTD. AND ITS WHOLLY OWNED SUBSIDIARY

#### Consolidated Profit and Loss Account

FOR THE YEAR ENDED 19th JANUARY, 1964

	1964 £	1963 £
PROFIT BEFORE TAXATION—Note 1 .. ..	796,609	558,150
TAXATION—Note 2 .. ..	369,379	285,128
PROFIT AFTER TAXATION .. ..	427,230	273,022
Deduct: Expenses of Capitalisation of Reserves and Reconstitution of Capital .. ..	4,127	1,113
	423,103	271,909
Add: UNAPPROPRIATED BALANCE FROM YEAR .. ..	80,138	57,994
	£503,241	£329,903
APPROPRIATIONS—		
Transfer to General Reserve .. ..	350,000	200,000
Dividends on the Ordinary Shares and Restricted Voting Ordinary Shares—		
Interim of 10 per cent. less tax paid 16th January, 1964 (1963—10 per cent.) .. ..	£30,625	15,312
Recommended Final of 20 per cent. less tax (1963—22½ per cent.) .. ..	61,250	34,453
	91,875	
Deduct: Waived .. ..	27,290	—
	64,585	49,765
UNAPPROPRIATED BALANCE to be carried forward .. ..	88,656	80,138
	£503,241	£329,903

### LESNEY PRODUCTS & CO. LTD. AND ITS WHOLLY OWNED SUBSIDIARY

#### Notes on the Consolidated Profit and Loss Account

	1964 £	1963 £
<b>I. PROFIT BEFORE TAXATION</b> is arrived at after charging		
Depreciation .. ..	127,788	68,732
(The rates of depreciation have been increased on certain fixed assets as compared with the previous year. The additional charge amounts to £36,767).		
Directors' Remuneration:—		
Fees .. ..	500	500
Other Emoluments .. ..	19,362	18,777
Benefits relating to previous years ..	£534	£1,370
(The Joint Managing Directors have waived £45,756 (1963, £27,872) of the amount due under their Service Agreements)		
Auditors' Remuneration .. ..	2,000	1,500
	£149,650	£89,509
<b>2. TAXATION</b>		
On the Profits of the year		
Profits Tax .. ..	129,677	87,351
Income Tax .. ..	312,387	218,382
	442,064	305,733
Deduct: Relief in respect of Investment Allowances .. ..	£70,509	15,590
Overprovision in previous years ..	2,176	5,015
	72,685	20,605
	£369,379	£285,128

pany's basic raw material, zinc. The precision castings forming the diecasting division are zinc-based. Average monthly price for zinc was £67 a ton in January and £92 in December; the price at one time touched £99. A movement of these dimensions, says Mr Tapscott, obviously puts considerable pressure on profit margin. Then there was the increased engineering wage award for men last autumn, with other costs continuing to edge upwards.

In the end, 'it was not possible to maintain the profit margin'.

### Competition

Thus spurred to greater effort, there was an 'all-out sales drive both in home and overseas markets'

which not only resulted in the sale of tens of thousands more diecast toys but also in increasing the sales of commercial diecastings by over one-quarter 'despite keen competition from the many other well-established commercial diecasting companies in this country'.

'We did much to overcome difficulties', he says, 'by organizing in certain departments around-the-clock working' which brought 'substantial benefits since our foundry is totally equipped with fully-automatic diecasting machines and in its class is probably without equal in Europe'.

By the end of 1963, it became clear that these measures were still insufficient, particularly with a women's wage award becoming operative during early 1964. So with effect from January 1st, the

#### LESNEY PRODUCTS & CO. LTD. AND ITS WHOLLY OWNED SUBSIDIARY

##### Consolidated Balance Sheet

AT 19th JANUARY, 1964

	1964	1963
<b>ASSETS LESS CURRENT LIABILITIES</b>		
<b>CURRENT ASSETS</b>		
Stocks and Work in Progress at the lower of cost and net realisable Market Value .. ..	310,606	239,539
Debtors .. .. .	572,014	336,391
Deposits with local authorities .. .. .	—	225,000
Bank and Cash Balances .. .. .	14,742	57,490
	<u>897,362</u>	<u>858,420</u>
<b>CURRENT LIABILITIES</b>		
Creditors .. .. .	267,152	177,071
Current Taxation .. .. .	245,824	178,104
Recommended final dividend on Ordinary Shares and Restricted Voting Shares (Net) less waived .. .. .	47,888	34,453
	<u>560,864</u>	<u>389,628</u>
<b>NET CURRENT ASSETS</b> .. .. .	<b>336,498</b>	<b>468,792</b>
<b>FIXED ASSETS—Note 1</b> .. .. .	<b>1,229,156</b>	<b>680,344</b>
<b>TRADE INVESTMENT at Cost</b> .. .. .	<b>2</b>	<b>2</b>
	<u>£1,565,656</u>	<u>£1,149,138</u>
<b>CAPITAL AND RESERVES</b>		
Share Capital—Note 2 .. .. .	600,000	450,000
General Reserve—Note 7 .. .. .	600,000	400,000
Profits Unappropriated—Note 3 .. .. .	88,656	80,138
	<u>1,288,656</u>	<u>930,138</u>
Future Taxation—Note 4 .. .. .	277,000	219,000
	<u>£1,565,656</u>	<u>£1,149,138</u>

L. C. SMITH }  
J. W. ODELL } Joint Managing Directors.

#### LESNEY PRODUCTS & CO. LTD. AND ITS WHOLLY OWNED SUBSIDIARY

##### Notes on the Balance Sheets

Notes on the Balance Sheets

	1964		1963	
	Cost £	Aggregate Depreciation £	Cost £	Aggregate Depreciation £
<b>FIXED ASSETS</b>				
Freehold Property .. .. .	297,495	15,770	297,276	12,795
Leasehold Property .. .. .	582,013	12,100	56,311	1,575
Plant, Vehicles and Equipment .. .. .	661,432	283,914	523,994	182,867
	<u>£1,540,940</u>	<u>£311,784</u>	<u>£877,581</u>	<u>£197,237</u>
<b>Net Book Value</b> .. .. .	<u>£1,229,156</u>		<u>£680,344</u>	
<b>2. SHARE CAPITAL OF LESNEY PRODUCTS &amp; CO. LTD.</b>				
	Authorised £	Issued £	Authorised £	Issued £
1,600,000 Ordinary Shares of 5s. each .. .. .	400,000	400,000	250,000	250,000
400,000 Restricted Voting Ordinary Shares of 5s. each .. .. .	100,000	100,000	—	—
400,000 Deferred Ord- inary Shares of 5s. each .. .. .	100,000	100,000	200,000	200,000
600,000 Unclassified Shares of 5s. each .. .. .	150,000	—	50,000	—
	<u>£750,000</u>	<u>£600,000</u>	<u>£500,000</u>	<u>£450,000</u>
<b>3. GROUP PROFITS UNAPPROPRIATED</b>				
Subsidiary Company .. .. .		19,165		19,165
Lesney Products & Co. Ltd .. .. .		69,491		60,973
		<u>£88,656</u>		<u>£80,138</u>
<b>4. FUTURE TAXATION</b>				
Income Tax 1964/65 .. .. .		264,000		206,000
Taxation Equalisation Reserve .. .. .		13,000		13,000
		<u>£277,000</u>		<u>£219,000</u>
<b>5. SUBSIDIARY COMPANY</b>				
Amount due by Parent Company .. .. .		125,584		125,584
Less: Shares at Cost less amount written off .. .. .		106,398		106,398
		<u>£19,186</u>		<u>£19,186</u>
<b>6. CAPITAL COMMITMENTS</b>		<u>£401,000</u>		<u>£202,000</u>
<b>7. GENERAL RESERVE</b>				
Balance as at 19th January, 1963 .. .. .		400,000		250,000
Less: Amount applied in capitalisation of reserves .. .. .		150,000		50,000
		<u>250,000</u>		<u>200,000</u>
Add: Amount transferred from Profit and Loss Account .. .. .		350,000		200,000
		<u>£600,000</u>		<u>£400,000</u>



price of 'Matchbox' toys was raised to retail at 1s 11d instead of 1s 9d, a move that did little to affect results of the year past but will be of assistance in the current year. 'We are budgeting for a further substantial rise in sales and profit.'

One result of the last year's trading has been that the net cash flow has exceeded expectations. The cash strain of the current phase of heavy capital expenditure will therefore be overcome more quickly and without need of permanent finance.

### Turnover Figure

ONE hardly likes to raise any criticism of a company that publishes a turnover figure. After all, those that do are still the exception despite all the lip-service paid to this very desirable advance in company reporting. But may it be suggested that where a figure is given, it should be with the figures in the accounts rather than outside them.

The thought arises when looking at the report, accounts and chairman's statement of A.P.V. Holdings Ltd, a company producing general and specialized plant for a wide range of industry. A page in the report sets out the company's business sphere well, which is more than can be said for many other companies. Milk processing, brewery plant, food processing, fruit juice, mineral water and spirit processing plant, chemicals, etc.

'Total invoiced sales for the group in 1963 were £7,768,000 which was lower than the 1962 figure due in part to the fact that two large chemical engineering products were completed and invoiced in 1962,' says Mr W. E. Jenkins, the chairman, in his statement with, but separately slipped into, the bound report and accounts.

A talk on turnover fits very properly into that context but let the figure (with comparison) also be given in the accounts. It comes from the accounts and, in the published version, should go with them.

## CITY NOTES

THERE is still very much a two-way pull in the stock-markets both in terms of factors and thinking. The swings and roundabouts of the recent by-elections, the fears of the National Institute of Economic and Social Research of the consequences of a capital investment boom riding on top of a consumer boom, the flow of encouraging company news, the still strong tendency to sell low yield equities for reinvestment on a higher yield basis and a gradual reduction in business volume make for muddle markets.

To describe the market as being on an irregular plateau is probably the nearest one can get to an adequate explanation of the present irregular, but basically downwards trend. But having mentioned a basically downwards trend one must hasten to add that equities are not necessarily in a bear market.

Even if, under a Labour administration, higher dividends were made more difficult to pay, the relatively low yield basis of the equity market could be reinforced by a Labour Government's introduction of a cheap money policy in the long end of the interest rate structure.

If all this suggests that the equity market does not quite know where it is going or even where it is supposed to go then that is just about the weight of things.

THE British Petroleum group aims to sell 100 million tons of crude oil and oil products this year. Product sales so far this year are up by 7 per cent and crude oil sales by 8 per cent and continued growth at that rate would hit the target.

A figure of 100 million tons is one of those statistics difficult to grasp. To put it into perspective it might be pointed out that in 1939 B.P.'s sales were about the ten million tons mark, which means a ten-fold sales expansion in twenty-five years.

## RATES AND PRICES

Closing prices, Wednesday, May 20th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate			
July 26, 1961	7%	Mar. 22, 1962	5%
Oct. 5, 1961	6½%	April 26, 1962	4½%
Nov. 2, 1961	6%	Jan. 3, 1963	4%
Mar. 8, 1962	5½%	Feb. 27, 1964	5%

Treasury Bills			
March 13	£4 5s 11.85d%	April 17	£4 6s 0.41d%
March 20	£4 5s 11.94d%	April 24	£4 6s 0.47d%
March 26	£4 6s 0.41d%	May 1	£4 5s 11.91d%
April 3	£4 6s 0.12d%	May 8	£4 5s 11.47d%
April 10	£4 6s 0.25d%	May 15	£4 7s 3.60d%

Money Rates			
Day to day	3½-4½%	Bank Bills	
7 days	3½-4½%	2 months	4½-4½%
Fine Trade Bills		3 months	4½-4½%
3 months	5½-6½%	4 months	4½-4½%
4 months	5½-6½%	6 months	4½-4½%
6 months	6-7%		

Foreign Exchanges			
New York	2.79 <sup>31</sup> / <sub>16</sub>	Frankfurt	11.12 <sup>13</sup> / <sub>16</sub>
Montreal	3.02 <sup>11</sup> / <sub>16</sub>	Milan	1749 <sup>1</sup> / <sub>16</sub>
Amsterdam	10.11	Oslo	20.00 <sup>5</sup> / <sub>16</sub>
Brussels	139.34 <sup>1</sup> / <sub>16</sub>	Paris	13.71 <sup>1</sup> / <sub>16</sub>
Copenhagen	19.33 <sup>3</sup> / <sub>16</sub>	Zürich	12.08 <sup>1</sup> / <sub>16</sub>

Gilt edged			
Consols 4%	64 <sup>7</sup> / <sub>8</sub>	Funding 3% 59-69	90 <sup>1</sup> / <sub>2</sub>
Consols 2½%	41 <sup>1</sup> / <sub>2</sub>	Savings 3% 60-70	87 <sup>1</sup> / <sub>2</sub>
Conversion 6% 1972	105	Savings 3% 65-75	79 <sup>1</sup> / <sub>2</sub>
Conversion 5½% 1974	98 <sup>1</sup> / <sub>2</sub>	Savings 2½% 64-67	93 <sup>3</sup> / <sub>16</sub>
Conversion 5% 1971	99 <sup>1</sup> / <sub>2</sub>	Treas'y 5½% 2008-12	91 <sup>1</sup> / <sub>2</sub>
Conversion 3½% 1969	92 <sup>1</sup> / <sub>2</sub>	Treasury 5% 86-89	87 <sup>1</sup> / <sub>16</sub>
Conversion 3½%	56 <sup>1</sup> / <sub>2</sub>	Treasury 3½% 77-80	76 <sup>1</sup> / <sub>16</sub>
Funding 5½% 82-84	97 <sup>1</sup> / <sub>2</sub>	Treasury 3½% 79-81	76 <sup>1</sup> / <sub>16</sub>
Funding 4% 60-90	93	Treasury 2½%	41
Funding 3½% 99-04	64 <sup>1</sup> / <sub>2</sub>	Victory 4%	97 <sup>1</sup> / <sub>2</sub>
Funding 3% 66-68	91 <sup>1</sup> / <sub>2</sub>	War Loan 3½%	56 <sup>1</sup> / <sub>2</sub>

# Taxation Cases

*Full reports of the cases summarized in this column will be published, with Notes on the Judgments, in the 'Annotated Tax Cases'.*

## Rendell v. Went

In the House of Lords – May 5th, 1964

(Before Lord REID, Viscount RADCLIFFE,  
Lord HODSON, Lord GUEST and Lord UPJOHN)

*Income tax – Expenses allowance – Director prosecuted for motoring offence – Costs of defence paid by company – Whether that amount assessable – Remission to Special Commissioners – Income Tax Act, 1952, sections 27, 64 (7), 161 (1), 162 (1).*

The appellant was a director of a company, and in 1958, while driving a car belonging to the company, and while returning to the company's office after an interview with a potential customer, he was involved in an accident in which a pedestrian was killed. The appellant was himself injured and taken to hospital. The following morning he instructed his secretary to get in touch with the Automobile Association with a view to his defence in any proceedings arising out of the accident. When the chairman of the company became aware of this, he countermanded the appellant's instruction as to the Automobile Association, and sought the advice of the company's solicitors; and was advised that if the appellant were convicted he would be liable to imprisonment, and that the company might also be involved in liability. The appellant was in charge of the obtaining and the supervising of contracts for the provision of catering services to factories and other industrial establishments and he was the only officer of the company in a position to do this work. It was also a part of his duties to negotiate contracts for the supply of vending machines. The company was at the time about to acquire control of another business, and the appellant's services would be required to co-ordinate the activities of the business with those of his company.

The chairman of the company gave instructions that the defence of the appellant in any proceedings was to be conducted by the company's solicitors. The appellant had no part in the giving of these instructions nor in the way in which they were carried out. He was charged, under what is now section 1 of the Road Traffic Act, 1960, with causing the death of the pedestrian by reckless or careless driving, and he was liable on conviction to imprisonment up to five years.

The appellant was acquitted. The bill of costs for his defence amounted to £641, and it was presented to and paid by the company. The appellant would not himself have spent as much, and the company paid

that sum because it was anxious not to lose the appellant's services, but the appellant obtained a benefit from the expenditure.

An assessment was made on the appellant for 1958–59 in the sum of £641 as the amount of a benefit in kind. It was contended on behalf of the appellant that none of the £641 was expense incurred in providing a benefit or facility for him, and alternatively that only £50 or £60 represented expenditure for that purpose, the balance of the £641 being expenditure for the benefit of the company. The Special Commissioners decided that the whole of the £641 was properly assessed on the appellant pursuant to section 161 of the Income Tax Act, 1952.

*Held* (affirming the judgment of the Court of Appeal): the Special Commissioners' decision was correct.

## C.I.R. v. Binns Ltd

In the House of Lords – May 5th, 1964

(Before Viscount SIMONDS, Lord REID,  
Lord GUEST, Lord UPJOHN and Lord DONOVAN)

*Profits tax – Gross relevant distribution – Dividend for specific period – Company becoming subsidiary within the period – Grouping notice for period – Direction splitting accounting period into two chargeable accounting periods – Whether dividend apportionable – Finance Act, 1937, section 22 – Finance Act, 1947, sections 25 (2), 37, 38 – Finance Act, 1956, section 30.*

The company, which carried on business as a draper, became a wholly-owned subsidiary of the House of Fraser Ltd, on April 28th, 1953. The accounting periods of the company ended on January 26th each year. On January 6th, 1954, House of Fraser Ltd gave a grouping notice under section 22 of the Finance Act, 1937, in relation to the respondent for the chargeable accounting period ending on January 26th, 1954, and for all subsequent chargeable accounting periods.

On January 27th, 1954, the respondent paid to House of Fraser Ltd an ordinary dividend of £320,000 gross, and the dividend was declared as an interim dividend for the period from April 28th, 1953, to January 26th, 1954. On October 28th, 1958, the Commissioners of Inland Revenue gave a direction, under section 38 of the Finance Act, 1947, that the

accounting period of twelve months to January 26th, 1954, should not be a chargeable accounting period of the respondent, but should be divided into two chargeable accounting periods at April 28th, 1953.

It was contended on behalf of the appellants that, pursuant to section 38 (4) of the Finance Act, 1947, they were entitled to create the two chargeable accounting periods; and that, pursuant to section 37 of the same Act the gross relevant distribution in question had to be computed in relation to the respondent's accounting period ended January 26th, 1954, and apportioned on a time basis over the two

chargeable accounting periods comprised therein, with the result that the earlier portion attracted profits tax. It was contended on behalf of the respondent that as the grouping notice operated from April 28th, 1953, and having regard to the period for which the dividend was declared, the dividend of £320,000 should be ignored in computing gross relevant distributions of the respondent for profits tax purposes. The Special Commissioners decided in favour of the appellants.

*Held* (reversing the order of the Court of Appeal): the Special Commissioners' decision was correct.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### An Auditor's Approach to Sampling

SIR, — Mr K. A. Sherwood has contributed an excellent introductory article on this subject (May 2nd issue) which cannot fail to be understood by those of us who have never learned statistical method, but there are one or two points I should like to stress which possibly are not so clear from his remarks as I should myself prefer.

Whenever a test is to be made, as Mr Sherwood rightly says, it is normal in a traditional audit programme to select as a test a block of consecutive entries. This is scientifically unsound, as the whole population is not in fact tested, so we have an immediate reason for preferring acceptance sampling to our own random selection.

However, there are occasions when sampling is not an entirely suitable method of auditing at all. Indeed, with the growth of computers and the use of an intelligent internal control questionnaire to expose the deficiencies of the system of the client it may well be that the emphasis in auditing will shift to the 'balance sheet audit' and that depth testing, once selected by a form of sampling, will throw up certain features which will require not merely a further sampling at the same level but a more extended sample, thus making different tables not merely optional but necessary, or providing circumstances where simple errors are not what are being looked for, because these can be tested mechanically,

but methods. To this extent acceptance sampling will be unsuitable as a basis.

The other point not fully revealed by Mr Sherwood is that the auditor may wish to make his own pre-selection (e.g. of items in excess of a certain size or value).

To say this does not detract in any way from Mr Sherwood's admirable article. It is understandable that staff should find this work more interesting than more traditional methods — as they do when for example doing a depth audit or using the internal control questionnaire as a basis of choosing the fields in which to sample. All more intelligent auditing must be more interesting. I am only concerned that in applying the undoubted merits of statistical sampling to auditing work we should not start unaware of its limitations or unmindful of the need to use it in conjunction with our professional skills and experience.

I am glad that Mr Sherwood quotes Professor Arkin's work, which is one of the best I have studied on the subject, and certainly does not ignore the limitations such as I have indicated.

Readers of the *Journal of Accounting Research* will have read in a recent criticism of another book in this field an excellent summing-up of the philosophic merits and the difficulties in applying what is to many practising accountants a new and untried technique to our work without at the same time creating a new mystique, but the challenge exists, and must be met if we are to maintain our modern approach in a changing world.

It is in internal auditing and in accounting rather than in external auditing that statistical sampling should establish its pre-eminence, however, because it is there that routine tests will always be the basis of the work being done, in circumstances which call for less personal judgement and selectivity.

Yours faithfully,

R. S. WALDRON, F.C.A.

London EC2.

# LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

## TWENTY-SECOND ANNUAL GENERAL MEETING

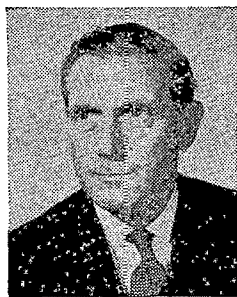
The twenty-second annual general meeting of the London and District Society of Chartered Accountants was held in the Oak Hall of the Institute, Moorgate Place, London, on May 7th. Mr N. Cassleton Elliott, M.A., F.C.A., Chairman of the Society, presided.

The annual report of the Committee was reproduced in *The Accountant* of April 18th.

### CHAIRMAN'S ADDRESS

In the course of his address proposing the adoption of the report and accounts, the Chairman said:

The accounts for the year ended December 31st, 1963, and the annual report of the committee for the year ended March 31st, 1964, were circulated with the notice convening the meeting. May I have your consent to take these and the auditor's report as read? (*Agreed.*)



Mr N. Cassleton Elliott

As you will have seen from the notice, I have been asked to address you on current and future activities of our society.

You have received the report of stewardship covering the past year so I need not concern myself with that except to point to the increase in number of members of the Society. It is a sobering fact to know that out of a potential membership of over 16,000 we have had almost 10,000 members who have intimated that they would like to receive notices of our meetings – a number equal to the size of the whole Institute in 1930 and today almost a third of its membership. That is the measure of our task.

### Groups

There are always members of any society who have no wish to be associated with it and it is not those whom we seek to serve but the vast number of interested members scattered on the foreshore of the Thames, for this Society covers the area of the Thames basin from Southend to Oxford – not forgetting the Channel Isles and shortly Paris. We have not yet established the exact density of members by areas within the district, as this is made difficult because so many commute to London daily. There is, however, a desire on the part of a large number who want to feel they *belong* to the Institute and if possible to be drawn into discussions upon which the Institute work is founded.

We are trying to solve this lack of provision of facilities for London and District members by forming new groups. While we have general groups at Reading, Oxford and Southend, and, as reported, a new discussion group, Bromley and SE. London, there appears to be a lack of facilities for those on the periphery of London. The areas in which we are trying

to form these groups are: Sevenoaks, Guildford, Croydon, Harrow and Chelmsford.

We already have some names of those who are interested in these areas and we would be glad to know of any others who would like to join. In order to bring these new groups and the existing twelve groups and the Beds, Bucks and Herts branch into closer touch with the work of the Institute, the London Regional Technical Advisory Committee has been reorganized. In the past the old T. and R. had as its members all members of the London main committee: it is now felt that greater consideration can be given to the subjects under discussion by having smaller specialized committees. In order to widen the scope of the Technical Advisory Committee and to bring the branches and groups into closer contact with the work of the Institute, as an experiment for one year, each has been invited to nominate one member to the London T.A.C., who will be asked to serve on one of two subcommittees.

### Introductory Courses

At the time the annual report was printed we had not had the results of the first experimental introductory course for articled clerks and I would like to tell you what we are planning to do in future courses. As the President mentioned yesterday, the objective is to ease the transition of students from full-time general education to part-time professional study. Impressions from this first course have varied but there is no doubt that a newly articled clerk can benefit by attending this course both in later studies and in his ability quickly to make an effective and responsible contribution to the work in his office. I would stress that this course and the one to be held in June is experimental and we do not profess to have found all the answers to make the best use of the co-operation of the colleges for further education. We hope to be able to provide these oral tuition courses for all newly registered articled clerks.

### Future Programme

We shall, of course, run the usual residential conferences which have been so successful and arrange lectures and luncheons on the same pattern as in the past. All of these activities are now better supported and it is sometimes difficult to find the necessary accommodation, but your committee will endeavour to choose subjects of interest both to the members in industry and those in practice.

I hope next year's dance may be as successful as it was this year. I was asked to sketch the future for you – this I have tried to do quickly but would summarize the position by saying that we are seeking ways for our members to take a greater part in the affairs of the Institute.

I would also mention that there are other opportunities of serving: should you be interested in invigilating at examinations, or marking examination papers, our secretary would be most willing to arrange

this for you. This is not an honorary job, but no rates are published in the Practitioner Inquiry Report.

### **Benevolent Fund**

There is one other matter to which I would draw your attention and that is the Chartered Accountants Benevolent Fund. In this age of the Welfare State support for a fund of this nature may easily be overlooked, but there are a considerable number of calls on this fund from those members of our Institute who have fallen on hard times and for their families. I need not elaborate on this for you all know the position, but if you have not already entered into a covenant to the fund I would commend this to you.

### **Advice to Members**

We have, as you know, a committee for advice to members and articled clerks and I would like to remind members of this service: the advice given can cover such matters as professional conduct, relations between partners and with other professional firms, personal problems connected with practices or with members' employment in industry.

The practitioner inquiry has shown what a high proportion of sole practitioners there are in our district and I would commend to our members the benefits that can be obtained from a discussion group in talking over technical points. I would also draw your attention to the value of consultation on specialist points with other members of the profession. Those firms with specialist departments are always willing to help other members and it need not be felt that there is anything derogatory in such consultation.

I would like to thank all those members who have given so freely of their time in attending careers conventions and in visiting schools with the object of

encouraging a higher percentage of the top school-leavers to enter our profession. As more and more are staying at school until eighteen in order that they may go to university, we shall need to article a higher percentage of graduates if we are not to take second place in competition for some of the better brains.

Some of our members have represented the Institute on committees of other bodies and have given valuable help on the panel for interviewing prospective principals. I would also like to thank them.

Lastly, I would like to express our thanks to our Vice-Chairman, Mr A. P. Hughes, and the members of the committee – among whom I would mention the Chairman of the London Technical Advisory Committee, Mr H. Gordon Smith, F.C.A., and the Chairmen of our two successful residential conferences, Mr W. S. Hayes, F.C.A., and Mr J. A. Allen, F.C.A., and to our Secretary, Mr J. W. G. Cocke, T.D., M.A., F.C.A., and his assistant, Mr R. F. Crichton – to this I must add a personal vote of thanks for all they have done to help me in my year of office which I entered into with some trepidation and which I have thoroughly enjoyed with so many friends to help me.

### **ELECTION OF OFFICERS**

The report and accounts having been adopted, vacancies on the Committee of the Society were filled as follows:  
*Members in practice:*

Messrs N. Cassleton Elliott, M.A., F.C.A., D. Garrett, F.C.A., D. S. Morpeth, B.COM., F.C.A., and G. C. Peat, F.C.A.

*Members in service of a practising accountant:*

Messrs K. A. Sherwood, A.C.A. and W. G. Underwood, A.C.A.

*Not in either of the above categories:*

Messrs D. Napper, F.C.A. and D. C. Urry, F.C.A.

## **FOR STUDENTS**

# **VOUCHING AND VERIFICATION – I**

THE student must be careful to distinguish the vouching of income and expenditure from the process of verifying the assets and liabilities which may arise from the transactions he examines.

Vouching is a process carried out once and for all in the period in which a transaction takes place. On the other hand, the process of verification must be carried out at the date of each balance sheet subsequent to the transaction, so long as any balance arising from it remains in the books. For example, the purchase of plant acquired in 1960 must be vouched during the course of the audit for that year in accordance with the principles set out below. Until written off by the annual depreciation provisions or the proceeds of sale, a balance remains on plant account which will figure in the balance sheet at the close of each subsequent year and the process of verification must be applied to it during each subsequent audit.

### **Vouching**

All transactions normally result, sooner or later, in the receipt or payment of cash, though a delay frequently occurs between, on the one hand, the creation of a liability (e.g. on a credit purchase) and its discharge

by cheque, and on the other, the creation of a debt (e.g. on a credit sale) and the receipt of a cheque in settlement.

Vouching therefore has two distinct aspects, to ascertain:

- (i) That the transaction itself is properly sanctioned, expressed at the correct value and properly passed through the internal control system and recorded in the books, being analysed correctly over the persons or firms involved and over the appropriate headings of revenue or capital and that no transactions are omitted.
- (ii) That the transaction is properly discharged by a cash movement in due course, any discounts or allowances being correctly authorized. Furthermore it should be seen that cash payments are actually received by the creditors (and not misappropriated *en route* to them); and that all cash receivable from debtors is duly entered in the cash-book, which is regularly agreed with the bank statement.

Aspect (i) above implies the vouching of the day-books, and aspect (ii) the vouching of the cash-books. The appropriate vouchers include suppliers' invoices,

copies of sales invoices, paid cheques and remittance slips.

Sometimes the making of the transaction and its discharge by cash occur at one and the same time as in the case of cash purchases and cash sales. In such cases there is no intermediate stage when the transaction is represented by a debt, due either by or to the company.

For such transactions the auditor's duties are precisely similar to those appropriate to purchase and sales ledger transactions; he must carry out the two aspects of vouching as set out above.

### Purchases and Expenses

The auditor's duty falls into two parts. Not only must he satisfy himself that entries in the purchase journal are correct; equally importantly he must ensure that no transactions have been omitted. The omission of items from, say, purchases account, leads to an incorrect figure of profit and liabilities and is at least as serious as the inclusion of improper items and is, moreover, usually harder to detect.

The auditor must therefore carefully inquire into the system under which the company first incurs liabilities. For example, purchasing should be centralized and all orders should be made in writing, a serially-numbered copy being retained. The internal control system should provide for invoices to be marked off against these copies, so that inquiries may be made into those uncleared. It is also essential that a comparison should be made between invoices and the goods received records, especially immediately before and after the close of the accounting year, to ensure that there is complete correspondence between goods received (and taken into stock) and the purchase invoices which relate to them.

### Sales

Here also the auditor's duty is a twofold one. Besides vouching the entries in the books, he must satisfy himself that there are no omissions, for these would lead to incorrect profit and debtors' figures. It is therefore not enough to compare copy sales invoices, dockets, etc.; the auditor must range more widely. He must, for example, review the warehouse procedures relating to the release of goods for dispatch, noting the stage at which a sale is first documented, the responsibilities of the members of the staff and the method of custody of unused invoice forms and whether these are serially numbered. In certain businesses, a summary of the quantities purchased or manufactured (as shown by works records), adjusted for stock fluctuations, will disclose the quantities available for sale. These figures may be usefully compared with the total quantity invoiced to ascertain that a proper agreement is disclosed. If sales are principally for cash it will be necessary to examine the internal check system, to discover the method of recording cash and whether, for example, till rolls and cash register summaries are regularly compared with moneys banked.

In certain businesses, the method of debiting stock to branches or departments at selling price may provide a valuable check, as subject to stock fluctuations (at selling prices), the debit for stock acquired or transferred should equal the cash received or the sales invoice total.

As in the case of purchases, a careful examination of the sales entries in the periods immediately before

and after the date of the balance sheet should be carried out. This should detect the creation of false profits (and hence debtors) by the predating of sales actually made in the new period, and the improper inclusion of goods which have left the premises (and been invoiced) in the figure of stock.

### Cash

For sales ledger transactions, the foregoing procedure should enable the auditor to satisfy himself of the correctness of the sales figure, and hence of the correctness of the debits to individual customers.

It is next necessary to ensure that each of these duly turns into cash in accordance with the terms of sale, less approved deductions for discounts and allowances. Accordingly, the sales ledger control account must be examined and a proportion of the postings checked, the auditor having satisfied himself of the soundness of the internal check in the cashier's and sales ledger departments. It is highly important to vouch the credit notes for allowances and returns: these reduce the figure of debtors as do cheques, and any false credit note is therefore equivalent to the payment of money to the debtor, a fact which many systems of internal check fail to recognize.

The auditor's duty in regard to incoming cash may therefore be said to ascertain that all cash due to the company has been duly received and banked; he must accordingly satisfy himself that there are no omissions from the debit side of the cash-book. In regard to outgoing cash, the emphasis of the audit must be not so much to discover omissions, as to ensure that each payment is properly authorized and duly reaches the creditor. The method of assembling invoices for cheque drawing, the documents presented to those signing and whether cheques are crossed 'not negotiable, account payee only', are all highly important matters which require investigation.

It is probable that the client has entered into a number of contracts or obligations under which cash passes periodically either to or from the business, as for example, rents, rates, insurances and commissions. Although such cash items should be incorporated in the internal check system, it is nevertheless desirable to prepare a summary of the corresponding nominal accounts to ensure that the requisite number of quarterly or other payments is included, either as cash movements or as provisions or debtors.

### Conclusions

Examination of the internal control systems, fortified by such detailed checks or tests of day-books, ledgers and controls as the auditor may deem desirable, will enable him to express an opinion as to the correctness of the fundamental transactions of incurring liabilities and creating debts.

The cash-book audit will show the accuracy with which the resulting cash movements are authorized and recorded. Outstanding or incompleting trading transactions, together with those which confer a benefit or detriment which endures beyond the date of the balance sheet, i.e. assets and liabilities, must next be verified. The question of verification of assets and liabilities will be the subject of a later article, here it is sufficient to observe that proper vouching of all transactions, including cash movements, provides the essential basis for the periodical verification process.

# CHARTERED ACCOUNTANTS' GOLFING SOCIETY

## ANNUAL GENERAL MEETING

The sixty-fifth annual general meeting of the Chartered Accountants' Golfing Society was held at the Guilford Hotel, Sandwich, on May 2nd, during the week-end meeting at the Royal Cinque Ports Golf Club, Deal, under the chairmanship of Mr D. V. House.

Mr H. C. Staines, the retiring Captain, addressed the meeting and said that the Society had suffered a great loss owing to the death of Mr J. B. Pittman, their President for many years, and he added that he was extremely fortunate in being able to propose to the meeting that Mr D. V. House should be the Society's new President. This proposal was unanimously passed by the meeting. Mr D. V. House was duly elected President and he thanked the meeting for bestowing this honour upon him.

Mr W. B. Henderson was elected Captain, and the retiring Vice-Presidents, Messrs L. R. Elcombe, L. E. Parsons and J. D. Green, were re-elected. Messrs E. H. Wingfield, H. W. Pitt and C. I. Steen were also elected Vice-Presidents of the Society.

The following were also elected:

*Vice-Captain:* Mr P. H. Blandy.

*Hon. Secretary and Treasurer:* Mr E. H. Head, Broad Street House, 54 Old Broad Street, London EC2.

*Hon. Match Secretary:* Mr D. W. Gibson.

The President also moved that Mr E. H. Head should be made an honorary life member of the Society, and this proposal was duly passed by the meeting.

Messrs R. A. Daniel and H. Lemmon were re-elected to the Committee and Messrs W. J. Leeming, S. W. Penwill and H. C. Staines were also elected to the Committee. Mr J. S. Hyland was reappointed Hon. Auditor.

The leading results of the competitions were as follows:

### CAPTAIN'S PRIZE

(Presented by the retiring Captain, Mr H. C. Staines)

1. J. P. Allday (3)	..	..	..	..	34	points
Wins Ernest Cooper Cup, Captain's Prize and Scratch Prize.						
2. G. C. Youngs (9)	..	..	..	..	31	..
Wins Second Prize.						
3. A. W. Coleman (11)	..	..	..	..	30	..
Wins Third Prize.						
J. F. Sloan (12)	..	..	..	..	30	..
A. Lotery (13)	..	..	..	..	29	..
H. C. Staines (5)	..	..	..	..	29	..
N. Grenfell (16)	..	..	..	..	29	..
W. B. Henderson (4)	..	..	..	..	28	..
J. Thornton (11)	..	..	..	..	27	..
E. K. Govett (7)	..	..	..	..	27	..
S. W. Penwill (16)	..	..	..	..	26	..

### SATURDAY FOURSOMES

1. J. P. Allday (3) and D. A. Culling (4)	..	35	points
Win First Prize.			
2. W. B. Henderson (4) and S. W. Penwill (16)	..	33	..
Win Second Prize.			
3. J. F. Sloan (12) and W. O. Newcomb (6)	..	30	..
Win Third Prize.			

### SUNDAY FOURSOMES

1. J. F. Sloan (12) and P. Wand (7)	..	30 $\frac{5}{8}$	points
Win First Prize.			
2. J. P. Allday (3) and D. J. Gow (7)	..	28 $\frac{1}{2}$	..
Win Second Prize.			
3. D. A. Culling (4) and E. K. Govett (7)	..	28 $\frac{1}{4}$	..
Win Third Prize.			

### WOOD CUP

The annual match between the Association of Scottish Chartered Accountants in London Golf Club and the Chartered Accountants' Golfing Society for the Wood Cup was played at Walton Heath Golf Club on April 17th. The contest consisted of Stableford foursomes competitions under handicap for the Old and New course rounds over thirty-six holes. The six best scores of both the Scottish and English Societies decide who shall hold the cup for the year. On this occasion the English Society won by 370 points to 354 points, the details being:

#### Chartered Accountants' Golfing Society

	Points
1. D. W. Gibson and R. B. Drummond	.. 66
2. M. A. P. Gay and A. M. Hendry	.. 63
3. P. F. Allday and J. P. Allday	.. 63
4. A. B. Green and G. H. Dudley	.. 61
5. H. C. Staines and W. B. Henderson	.. 59
6. D. G. Richards and N. Butterworth	.. 58
<b>Total</b>	<b>.. 370</b>

#### Scottish Association

	Points
1. M. Knox and C. W. Nicol	.. 66
2. J. D. S. J. Harrison and M. G. M. Haines	.. 62
3. A. Smith and K. B. H. Murray	.. 59
4. R. M. Hogg and L. Brown	.. 57
5. T. Anderson and J. Riddoch	.. 57
6. D. Mackelvie and M. R. Hargreaves	.. 53
<b>Total</b>	<b>.. 354</b>

Prize-winners (no pair could take more than one prize) were:

Thirty-six holes	Points
First: D. W. Gibson and R. B. Drummond	.. 66
Second: M. Knox and C. W. Nicol	.. 66

#### Old Course

First: M. A. P. Gay and A. M. Hendry	.. 33
Second: A. B. Green and G. H. Dudley	.. 32

#### New Course

First: P. F. Allday and J. P. Allday	.. 36
Second: M. Knox and C. W. Nicol	.. 30



### For Analysing Expenditure

THE National Cash Register Co has developed a special-purpose model of its *Class 52* analysis and control register to eliminate the costing and time-consuming task of manually compiling and checking analysis sheets. Through the use of nine analysis totals, together with a listing or group total and a final grand total, the machine can be applied to a fast method of doing this work.

For example, the eight most common expenditure headings can be allocated to the first analysis total of the *Class 52*. The individual amounts, read either from the cash-book or from vouchers, are entered on the keyboard. As each entry is made, the operator touches the appropriate motorized analysis key, whereupon the machine prints the amount on a locked-in audit record and simultaneously adds it into the selected analysis total.

Items that come under less common expenditure headings can be recorded in the ninth analysis total. Where desired, the machine issues a printed ticket on which details of the item can be noted manually. Each ticket bears the date and a four-digit tracer number to permit cross-checking with the corresponding printed entry on the audit record. When the main analysis has been completed, the tickets are either sorted manually or analysed in a separate run.



*N.C.R. Class 52 Special Purpose Register*

The *Class 52* maintains a complete record of the day's work and over 7,000 entries can be printed on each audit roll. Each entry is serially numbered, and a symbol appears against those items for which tickets have been issued. Sub-total and grand total figures are automatically printed on the audit record at the end of the run. At any time, moreover, the total of the items entered can be read without being cleared from the machine. This means that the analysis work can be agreed, for example, with the cash-book, on a page-by-page basis.

A special feature of the machine is that individual vouchers can be certified, if desired, by overprinting them with the date, serial number, amount and analysis symbol, simultaneously with the issuing of the ticket and the printing of details on the audit record.

National Cash Register Co Ltd, 206-216 Marylebone Road, London W1.

## New Office

### Punching 100 c.p.s.

A NEW tape punch which can operate at up to one hundred characters per second is announced by Creed & Co Ltd, to bridge the gap in speed and price between their *Model 25* and *Model 3000* Tape Punches. Known as the *Model 100*, it is capable of 5-, 6-, 7- or 8-track tape punching without adjustment. Its maximum operating speed of 100 c.p.s. is three times that of the *Model 25* and a third of that of the *Model 3000*. All tape punching requirements can now thus be met from the Creed range.

The *Model 100*, has been developed particularly with the users of smaller computers in mind. A much wider range of applications is possible however, and it is anticipated that the machine will be used in data transmission systems, in off-line data logging, and in high-speed tape duplication.

A special feature of the new punch is the ability to punch tapes of 5-, 6-, 7- or 8-tracks without the need for any adjustment. Tape guiding is by means of a canted roller system which forces the tape up against a guide edge no matter what width of paper is being used.

Weighing approximately 52 lb., the tape punch measures 15½ by 17½ by 12½ in.

Price: From £400.

Creed & Co Ltd, Telegraph House, Croydon, Surrey.

### For Speedier Mailing

SEALING of envelopes can be done at the same time as they are franked by the new Pitney Bowes *Model 5400 Mailing Machine* fitted with a *Model 5300* postage meter. This particular version, which can frank any denomination from ¼d to 99s 11½d, is electrically operated; a smaller hand-operated model (the 5500) is for postage from ½d to 10s 11½d.

All models are desk-top machines; the *Model 5400*, for instance, is 8½ in. high and has a base of 12 by 13 in. The weight of this machine is 25½ lb. and the detachable meter weighs 10½ lb.

This detachable meter is an important advance incorporated in the company's series. A neat carrying case is provided so that whenever the meter requires fresh postal credits it can be removed, slipped into its case and carried by a junior to the post office - it weighs no more than most portable typewriters.

Apart from the feature described above, the new design has many other good points. The setting levers for the postage amounts can be moved easily with the finger-tip and a separate dial shows clearly the denomination selected. A cut-out switch for the sealing unit enables cheap-rate (e.g. statements, invoices and circulars) mail to be franked when necessary. The water level in this unit can be clearly seen and replenishment is easy.

Date-changing is done on the machine by turning a dial and thereby obviating the awkward procedure



# Equipment

of date-changing by clicking segments round with a metal or plastic stylus.

Standard equipment for the *Model 5402*, which costs £175, consists of the basic machine plus an envelope stacker which will receive up to forty envelopes before they need be removed. The monthly rental for the 10s meter is £3, while the 99s meter costs £3 10s a month.

Pitney Bowes Ltd, 175 Tottenham Court Road, London W1.

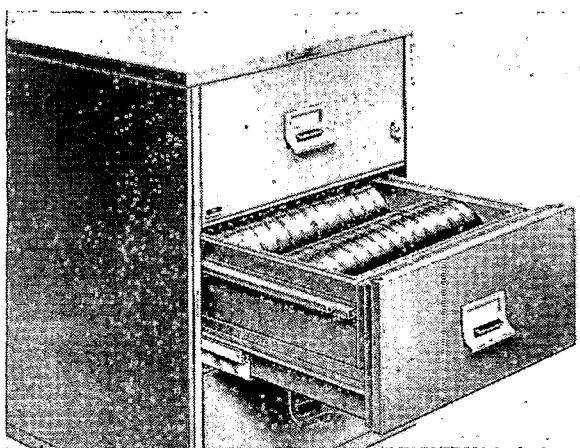
## Protecting Computer Tapes

**P**ROTECTION for magnetic tapes for computers against the ravages of both fire and steam is offered by the new *Remington Citadel Cabinet*. Equally important, the unit, which takes a total of seventy-eight reels in its three drawers, is designed specifically for day-to-day use, not merely to house records normally kept away from the computer room.

Because magnetic tapes are far more vulnerable than paper to damage by heat and steam, the *Citadel Cabinet* has, in addition to fire insulation, a special inner wall to protect the contents against steam.

Among the trials in which it has successfully protected its contents are: exposure on all sides for one hour to severe fire with a temperature of up to 1700°F.; continued exposure to this concentrated heat over several hours followed by a lengthy cooling-off period (a period when damage to the contents is most likely); dropping from a 30 ft height on to brick rubble after pre-heating to 1500°F. and subsequently re-heating to the same temperature; exposure on all sides to quickly developed temperatures up to 2000°F. This condition is designed to generate explosive gases inside the cabinet and the absorption of these gases is another test the *Citadel* must pass.

Remington Rand Ltd, 65 Holborn Viaduct, London EC1.



*Citadel Fire Resistant Cabinet*

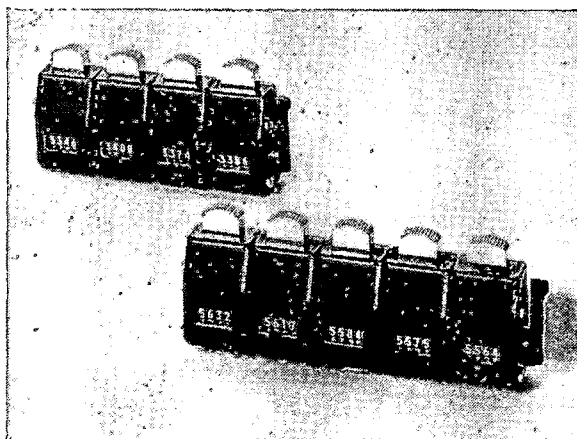
## For Tally Work

**T**HE ENM *Multiple Hand Tally Series 448*, is now being marketed to meet the demand for a robust multiple counter which can record a number of different items of operations.

Each unit is a four-figure counter which adds one count for each depression of the plunger. These units are made up into banks of two, three, four or five counters. Resetting is by rotation of a lever which returns all the counters simultaneously to zero.

The tallies have been designed for traffic census work, stores inventories, stock control, laboratory analysis, order and sales analysis and will find many other applications in offices, factories, shops, warehouses, hospitals, laundries, schools, restaurants and hotels.

English Numbering Machines Ltd, Queensway, Enfield, Middx.



*Multiple Hand Tallies*

## Reflex Copier

**SADA INDENTIX** is the name given to a reflex copier from British Olivetti Ltd and available through office equipment dealers.

Control of the amount of light (from a green fluorescent tube) is governed by a sleeve shutter which encloses the tube. Movement of a lever allows more or less of the tube's surface to be revealed to the sensitized paper and original (or paper and negative) passing the tube.

As with all reflex copiers, a negative is first made from the original being copied. The cost per negative is approximately 3½d including paper, chemicals and operator's time. From the negative, any number of copies can be made for an additional 3½d each. Thus, four copies would cost 1s 5½d (i.e. 5 × 3½d). With the reflex process, the negative can be filed and used to make further copies whenever desired.

Development is via a two-bath system – a developer and a stabilizer (or fix) – and the prints are squeezed dry by stainless steel rollers.

The machine weighs 20 lb., measures 21½ in. by 9½ in. by 5½ in., and costs £59 15s; it has a feed width of 9 in. A brief-size model is available for £85. For copying books and making plates, a flatbed exposure unit can be supplied for £35.

British Olivetti Ltd, 30 Berkeley Square, London W1.

# Notes and Notices

## PROFESSIONAL NOTICES

MESSRS CITROËN & PARTNERS, of London W1, announce that they have admitted into partnership Mr P. M. EMANUEL, A.C.A., who has been a member of their staff for some time.

MESSRS CITROËN PARTNERS & Co, Chartered Accountants, of London W1, announce that they have admitted into partnership Mr P. M. EMANUEL, A.C.A., who has been a member of their firm for some time.

MR JOHN JORDAN, A.C.A., a partner of MESSRS GLEDHILL & JORDAN, Chartered Accountants, of Winchester, regrets to announce the death of his partner, MR NORMAN GLEDHILL, F.C.A., on May 8th, after a comparatively short illness.

MESSRS NEWTON & Co, Chartered Accountants, of 63 Temple Row, Birmingham 2, announce with deep regret the death on April 22nd, 1964, of their partner Mr A. R. MASON, F.C.A., who had been associated with the firm for over thirty years.

MESSRS PANNELL FITZPATRICK GRAHAM & CREWDSON, Chartered Accountants, announce that arrangements have been made with Mr PETER HOPKINSON, F.C.A., under which they will practise together at 31 Hill Street, St Helier, Jersey, under the name of PANNELL FITZPATRICK GRAHAM & CREWDSON. They also announce that Mr DAVID E. BINGHAM, A.C.A., has been admitted to partnership in the Jersey firm as a resident partner after some years with the firm in London and overseas.

MESSRS PARROTT & GROVER, Chartered Accountants, of St Neots, Huntingdon, announce that Mr RONALD J. DAVEY, A.C.A., who has been a member of the firm for twelve years, both as articulated clerk and later as managing clerk, has been admitted as a partner as from May 1st, 1964.

MESSRS PEAT, MARWICK, MITCHELL & Co announce that as from April 1st, 1964, they have taken into partnership, in Birmingham, Mr H. K. EASTON, F.C.A.

## Appointments

Mr John Derrik Hender, F.S.A.A., F.I.M.T.A., has been appointed City Treasurer of Coventry, to succeed Dr A. H. Marshall, C.B.E., B.SC.(ECON.), PH.D., F.S.A.A., F.I.M.T.A., who will retire in August.

Mr C. E. Hickson, A.C.A., has been appointed secretary of Ellsworth Estates Ltd.

Mr J. E. Hoare, F.C.A., A.C.I.I., has been appointed a director of Peek and Partners Ltd.

Mr A. J. Mackenzie, B.COM., A.C.W.A., chief accountant of The North British Rubber Co, has been elected President of the Edinburgh Junior Chamber of Commerce.

Mr F. J. Notley, F.C.A., F.C.I.S., has been appointed vice-chairman of the Monmouthshire & South Wales Building Society, to succeed Mr Norman E. Lamb, F.C.A., who remains a director of the Society.

Mr W. S. Risk, B.COM., C.A., F.C.W.A., has been appointed a director of Window and Office Cleaning Association Ltd.

Mr J. D. Slater, F.C.A., has joined the board of Rights & Issues Investment Trust Ltd, as from May 1st, 1964.

Mr John P. Wall, M.A.(CANTAB.), A.C.A., has been appointed secretary of The Sagit Trust Co Ltd.

## IN PARLIAMENT

### Inland Revenue Offices:

#### Telephone Calls

MR LUBBOCK asked the Chancellor of the Exchequer why it is possible to dial direct to the Inland Revenue offices designated London Provincial 1, 2 and 3 at the local call rate, whereas London Provincial 4 requires a trunk call.

MR GREEN: The Inland Revenue has a public inquiry office in London for taxpayers whose tax affairs are dealt with in London Provincial 4th District. The inquiry office is connected by teleprinter to London Provincial 4th District at Manchester and any urgent inquiries can be answered in this way. I understand that these arrangements are working satisfactorily, but if the hon. Member has any information to the contrary perhaps he would write to me.

*Hansard*, May 6th, 1964. Written Answers. Col. 166.

### Barristers: Taxation

MR A. LEWIS asked the Chancellor of the Exchequer why he allows the system whereby lawyers are taxed on different principles from other people, being entitled to claim their last year's earnings before retirement free of tax; and why he will not introduce the necessary legislation to make this privilege generally applicable or end the present position whereby one class of taxpayer receives benefits not shared by others.

MR GREEN: I answered the first part of the question in reply to a question by the hon. Member on April 28th. As regards the second part of the question, the treatment of barristers is not a special privilege but is the legal consequence of the way their income arises and could not be extended to other taxpayers whose situation is different.

*Hansard*, May 12th, 1964. Written Answers. Col. 31.

### Decimal Currency

MR STANTON asked the Chancellor of the Exchequer what progress has been made in considering the decimalization of British currency, in view of the ever-increasing cost which delay imposes; and if he will make a statement.

MR MAUDLING: The cost and benefits of decimalization must be weighed against those of the many other projects which we have for modernizing Britain.

*Hansard*, May 12th, 1964. Written Answers. Col. 32.

**NATIONAL DEVELOPMENT BONDS**

The National Development Bonds, introduced in the last Budget are now on sale at over 22,000 post offices as well as Trustee Savings Banks and commercial banks. National Development Bonds replace the various series of Defence Bonds which have been on sale since November 1939.

Interest at 5 per cent per annum will be paid half-yearly with a tax-free bonus of £2 per cent on maturity. Individual holdings are limited by the Treasury to a total of £2,500, and dividend is paid without deduction of tax. National Development Bonds can be cashed in at one month's notice whereas the old Defence Bonds required six months' notice.

**LIVERPOOL SOCIETY OF CHARTERED ACCOUNTANTS**

At a committee meeting of the Liverpool Society of Chartered Accountants held on May 13th, Mr Clifford Pearson, F.C.A., a partner in the firm of Messrs Sheard,



Vickers & Winder, Chartered Accountants, of Liverpool, and Messrs Winder & Lloyd, Chartered Accountants, of London, was elected President of the Society for the ensuing year.

Admitted to membership of The Society of Incorporated Accountants in 1937 and to the Institute in 1949, Mr Pearson served on the committee of the Incorporated Accountants District Society of Liverpool from 1938 to 1958 and as its President from 1955 to 1958. He has been a member of the Committee of the Liverpool Society of Chartered Accountants since integration in 1958.

Other officers elected were:

*Vice-President:* Mr James Malcolm Harrison, F.C.A.

*Hon. Treasurer:* Mr Alexander Petrie Whyte, B.Sc. (ECON.), F.C.A.

*Hon. Secretary:* Mr Edward Laurence Ashton, M.A., F.C.A., The Library, 5 Fenwick Street, Liverpool 2.

*Hon. Assistant Secretary:* Mr Colin Ogle Reay, F.C.A.

**BEDS, BUCKS AND HERTS  
CHARTERED ACCOUNTANTS**

At the fifth annual meeting of the Beds, Bucks and Herts branch of the London and District Society of Chartered Accountants, held at the Halfway House Hotel, Dunstable, on May 4th, the retiring chairman, Mr R. F. Waterfall, F.S.A.A., reported a membership of 444 compared with 247 in the previous year. He reviewed the activities of the year, which included a one-day conference at Harpenden and the annual dinner which was held at Dunstable, when the guest speaker was Mr Maurice MacMillan, M.P., Economic Secretary to the Treasury.

The following officers were elected for 1964-65:

*Chairman:* Mr E. J. Frary, F.C.A.; *Deputy Chairman:* Mr R. F. Waterfall, F.S.A.A.; *Vice-Chairman:* Mr T. A. Parry, F.C.A.; *Secretary:* Mr R. E. Wright, F.C.A., 14 Church Square, Leighton Buzzard, Beds; *Treasurer and Assistant Secretary:* Mr A. J. Philpott, B.A., A.C.A.;

*Committee:* Messrs J. E. Burrows, A.C.A., P. J. L. Case, F.C.A., T. R. Keens, F.C.A., R. J. Parker, F.C.A., V. F. Perry, F.C.A., J. B. Pinnock, F.C.A., J. Scott, A.C.A., D. G. Tate, F.C.A., R. E. Wagstaff, F.C.A.

In his remarks, the new chairman expressed the hope that arising from the increase in membership further discussion groups might be formed, and named St Albans and Stevenage as likely places.

Following the meeting, a panel consisting of Messrs F. W. Taylor, H. O. Heather, A. Flemming, and R. D. Cooper, H.M. Inspectors of Taxes for Bedford, Dunstable, Luton and Watford, answered many questions raised by members.

**SOUTH WEST LONDON DISCUSSION GROUP**

The annual dinner of the South West London Discussion Group of Chartered Accountants was held at the Griffin Hotel, Kingston upon Thames, on May 11th and was attended by some thirty members and guests, the principal guest being Mr N. Cassleton Elliott, M.A., F.C.A., Chairman of the London and District Society of Chartered Accountants.

Officers for 1964-65 have been elected as follows:

*Chairman:* Mr J. W. Smith, B.Sc. (ECON.), A.C.A.

*Treasurer:* Mr C. G. Clifton, A.C.A.

*Secretary:* Mr N. Grenfell, F.C.A., Messrs Scot, Simmonds & Co, 72 High Street, Teddington, Middlesex.

The secretary will be pleased to send details regarding the Group's forthcoming activities to any chartered accountant interested.

**CONFERENCE ON INVESTMENT**

'Investment after the election' will be the theme of a one-day conference organized under the auspices of the *Investors Chronicle* to be held at the Connaught Rooms, Great Queen Street, London WC2, on June 19th.

There will be two morning and two afternoon sessions and the opening address will be given by Lord Robbins, C.B. The subjects and speakers will be:

'Politics and the investor', by the Rt Hon. Enoch Powell, M.B.E., M.P., and Mr Jack Diamond, F.C.A., M.P.  
'Gilt-edged or guilt-edged', by Mr C. Gordon Tether, 'Lombard' of *The Financial Times*.

'Investment abroad', by Mr I. M. L. D. Forde, O.B.E., T.D., director, Kleinwort Benson Ltd, and Mr Harold Wincott, editor-in-chief, *Investors Chronicle*.

'Prospects and profits at home', by Sir Halford Reddish, F.C.A., chairman and managing director, The Rugby Portland Cement Co Ltd, and Mr P. M. Tapscott, member, London Stock Exchange.

Application forms for those wishing to attend the conference are obtainable from Mr Philip Syrett, Angel Court Consultants Ltd, 4 Angel Court, London EC2.

**OFFICIAL RECEIVER APPOINTMENTS**

The Board of Trade announce that Mr Harold Clifford Gill has been appointed as Official Receiver for the purposes of the Companies Act, 1948, and attached to the High Court from May 19th, 1964. They also announce that Mr Percival Charles Hewett, at present an Assistant Official Receiver for the purposes of the Companies Act, 1948, attached to the High Court, has been appointed to succeed Mr Gill as Principal Examiner in Companies Inspection Branch with effect from May 19th, 1964.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- Accounting in Small Business Decisions; by J. L. Gibson and W. W. Haynes. Lexington, U.S.A. 1963. (Un. of Kentucky Press, \$3.)
- Accounting Theory: Continuity and Change; by A. C. Littleton and V. K. Zimmerman. Englewood Cliffs, U.S.A., 1962. (Prentice-Hall, 68s.)
- The Administration of the Window and Assessed Taxes 1696-1798; by W. R. Ward. Canterbury. 1963. (Phillimore, 7s 6d.)
- Applications of O. & M.; by G. E. Milward. 1954. (Macdonald & Evans, 35s.)
- Business Simulation in industrial and university education; by P. S. Greenlaw, L. W. Herron and R. H. Rawdon. 1952. Englewood-Cliffs, N.J. (Prentice-Hall, 50s.)
- The Export of Capital; by C. K. Hobson. 1914. (Constable, 25s.)
- Extension of the Boundaries of Accounting Theory; by T. R. Prince. Cincinnati. 1963. (South-Western Publishing, 42s 6d.)
- Farm Business Records... book... (National Agricultural Advisory Service). 1964. [Loose-leaf]. (National Farmers' Union, 21s.)
- Farm Business Records for management decisions. (Ministry of Agriculture). 1964. (H.M.S.O.)
- The Financing of Small Business; by J. Bates. 1964. (Sweet & Maxwell, 37s 6d.)
- Forgery Detection: a practical guide; by W. R. Harrison. 1964. (Sweet & Maxwell, 21s.)
- A Handbook on Bankruptcy law and practice; by I. Cruchley: 2nd edn. 1964. (Oyez, 50s.)
- Investment Decisions in Small Business; by M. B. Solomon. Lexington, U.S.A. 1963. (Un. of Kentucky Press, \$3.)
- New Issues: rules and procedure of the... stock exchange... (The Times). 1963. (Times Publishing, 10s 6d.)
- Office Management; by J. C. Denyer: 2nd edn. 1964. (Macdonald & Evans, 30s.)
- Purchasing and Supply Management; by P. J. H. Bailly. 1963. (Chapman & Hall, 30s.)
- Pricing Decisions in Small Business; by W. W. Haynes. Lexington, U.S.A. 1962 (Un. of Kentucky Press, \$3.)
- Redgrave's Factories Acts; by A. Redgrave: twentieth edn. by I. Fife and E. A. Machin. 1962. (Butterworth, 67s 6d.)
- Remuneration of Academic Staff in Universities and Colleges of Advanced Technology: Cmnd 2317. (National Incomes Commission). 1964. (H.M.S.O., 7s.)
- Simplifying Office Work: an introduction to O. & M techniques for management; by O. Standingford. 1964. (Pitman, 16s.)
- State Sales Tax Administration; by J. F. Due. Chicago 1963. (Public Administration Service, 66s.)
- Sterling in the Sixties; by C. McMahon. 1964. (O.U.P. 8s 6d.)
- The Substance of Economics for the student and general reader; by H. A. Silverman: 16th edn. 1964. (Pitman, 25s.)
- Trust Accounts; by P. M. B. Rowland: third edition. 1964. (Butterworth, 50s.)

- \*Underhill's Law relating to Trusts and Trustees; by Sir A. Underhill: eleventh edition by C. M. White and M. M. Wells. 1959. fourth (cumulative) supplement 1964. (Butterworth, 95s and 15s.)
- The Weights and Measures Act, 1963...; by J. A. O'Keefe and E. Roydhouse. 1964. (Butterworth, 42s 6d.)
- What's Wrong with British Industry? by R. Malik. 1964. (Penguin, 3s 6d.)
- Wurtzburg and Mills Building Society Law; (by Wurtzburg and Mills): 12th edn by J. Mills. 1964. (Stevens, 105s.)

### ANNOTATED TAX CASES

Part 9 - the concluding part - of Volume XLII of the *Annotated Tax Cases*, edited by Mr Peter Rees, of the Inner Temple, Barrister-at-law, is published today and contains reports, with notes on the judgments of the following cases: *William Cory & Son Ltd v. C.I.R.* (Ch.D.); *Ridge Securities Ltd v. C.I.R.* (Ch.D.); *Duckering v. Gollan* (Ch.D.); *Dreyfus v. C.I.R.* (Ch.D.); *Jarrold v. Boustead*, *McInnes v. Large*, *McInnes v. Simms* (Ch.D.); *Strick v. Regent Oil Co Ltd* (Ch.D.); *Laidler v. Perry*, *Morgan v. Perry* (Ch.D.).

The index of cases and subject-matter for the volume will be published shortly, after which the volume may be bound.

The annual subscription is 50s post free and the publishers are Gee & Co (Publishers) Ltd, 151 Strand, London WC2.

### CROSSWORD SOLUTION

The solution to the Holiday Crossword compiled by Mr Kenneth Trickett F.C.A., which appeared in last week's issue, is as follows:

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N	I	N	E	S		D	E	P	O	S	I	T	O	R
T	I	T				P								
I	I		M	A	R	K	E	T	P	R	I	C	E	
F	O	E	A	A		A	N	N						
F	I	N	A	N	C	I	A	L	L		S	A		
			S								A	P	P	C
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L	E	T	T	E	R	S	O	F	C	R	E	D	I	T

### CORRECTION

In the caption to the photograph on page 617 of last week's issue the last name should have read Mr J. M. Renshall, M.A., A.C.A., and not Mr Laurence H. Clark, F.C.A.

\*This book has been presented to all district Society Libraries under the grant of books scheme.

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# THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SCOTLAND

## Spring Diet of Examinations, 1964

### PART IV

Of the 403 candidates who sat Part IV of the Institute's examinations on March 31st, and April 1st, and 2nd, 1964, the under-noted 175 candidates (43.4 per cent) passed. Their names appear in alphabetical order and, where applicable, are followed by the names of the firms of the masters to whom they were indentured or assigned.

*The Albert J. Watson Prize (in two parts for the two candidates whose performances are the most meritorious) was awarded to:*

Whyte, W. T. (McLachlan & Brown), Glasgow.

McLean, D. P. (Geo. D. Smith & Co), Glasgow.

Adam, D. W. (A. T. Niven & Co), Edinburgh.  
Adam, W. M. W. (J. Harley Hepburn & Co), Kirkcaldy.  
Aitken, T. H. (Kerr, MacLeod & Macfarlan), Glasgow.  
Allen, A. D. (McClelland, Moores & Co), London.  
Archibald, J. G. (Martin Currie & Scott), Edinburgh.  
Arthur, W. M. D. (Dingwall, Peden & Henderson),  
Edinburgh.  
Bain, I. McD. (Smith & Williamson), Glasgow.

Bain, J. (Galbraith, Dunlop & Co), Glasgow.  
Banks, D. C. (Ball, Baker, Deed & Co), London.  
Bannerman, A. G. (Wylie & Bisset), Glasgow.  
Beaton, S. C. (Miller, McIntyre & Gellatly), Dundee.  
Bell, D. S. (W. A. Wighton & Crawford), Edinburgh.  
Bissland, A. S. (Hardie, Caldwell Ker & Hardie), Glasgow.  
Black, I. C. (Fleming & Wilson), Glasgow.  
Blair, J. S. (Brown, Fleming & Murray), Glasgow.  
Bonella, A. A. (David Strathie & Co), Glasgow.  
Borland, J. (Alfred T. Scott & Co), Ayr.  
Brodie, I. C. (Campbell & Co), Edinburgh.  
Brown, D. W. (David Strathie & Co), Glasgow.  
Buckley, P. N. (McClelland, Moores & Co), London.  
Burnet, P. J. (Graham, Smart & Annan), Edinburgh.

Calder, D. S. (French & Cowan), Glasgow.  
Cameron, H. O. (Flockhart & Grant), Aberdeen.  
Campbell, J. D. (Kidston, Goff & Harvey), Glasgow.  
Campbell, J. H. (McFarlane, Son & Co), Glasgow.  
Clark, A. S. (J. Wyllie Guild & Ballantine), Glasgow.  
Corse, J. J. (J. Douglas Henderson & Co), Edinburgh.  
Craig, I. MCP. (Chrystal, McIntyre & Co), Glasgow.

Davidson, A. H. (Cooper Brothers & Co), Glasgow.  
Davidson, E. A. (Scott-Moncrieff, Thomson & Shiells),  
Edinburgh.  
Dewson, E. V. (Nairn, Bowes & Craig), Glasgow.  
Dey, A. G. (Williamson & Dunn), Aberdeen.  
Difelice, L. D. G. (Wylie & Bisset), Glasgow.  
Donald, R. G. (Reid & Mair), Glasgow.

Elder, D. B. (Henderson & Loggie), Dundee.

Falconer, J. A. (J. W. Jarvie & Co), Glasgow.  
Ferguson, H. B. (John E. Watson & Co), Glasgow.  
Fleming, D. L. (Henderson & Loggie), Cupar.  
Fleming, J. G. (Thomson McLintock & Co), Glasgow.  
Flett, G. G. (Henderson & Loggie), Dundee.  
Foggie, R. G. K. (Barstow & Millar), Edinburgh.  
Forbes, J. K. C. (Martin Currie & Scott), Edinburgh.  
Fotheringham, R. S. (Brown, Fleming & Murray), London.  
Freedman, N. (Alex. M. Shaw & Co), Glasgow.

Garety, F. A. (Harold Sinclair & Blair), Glasgow.  
Gemmell, J. H. F. (A. C. Philp & Co), Dunfermline.  
Gidwani, N. P. (Thomson McLintock & Co), London.  
Gillies, K. J. H. (Hardie, Cuthbertson & Co), Glasgow.  
Gilling, T. E. (Wylie & Bisset), Glasgow.  
Graham, M. J. I. (James Rosie & Co), Galashiels.  
Graham Munro, I. D. (Graham, Smart & Annan),  
Edinburgh.  
Grant, R. W. (Martin Currie & Scott), Edinburgh.  
Gray, C. (J. & R. Morison & Co), Perth.  
Gray, J. H. (W. S. Brown, MacDonald & Fleming),  
Edinburgh.

Hamilton Harding, R. A. (Thomson McLintock & Co),  
London.  
Hanna, R. G. (Hardie, Caldwell Ker & Hardie), Glasgow.  
Hardy, D. A. H. (Brown Fleming & Murray), London.  
Harper, H. A. B. (Williamson & Dunn), Aberdeen.  
Harrison, A. D. (McClelland, Moores & Co), London.  
Hart, T. D. M. (Robertson & Maxtone Graham), Edinburgh.  
Hastie, W. A. F. (Stewart Gilmour), Ayr.  
Hatrack, A. L. (Wright, Stevens & Lloyd), London.  
Hemphill, E. (Robertson, Davies & Co), Glasgow.  
Henderson, G. W. (Hourston, Macfarlane & Co), Glasgow.  
Houston, A. P. (Wardhaugh & McVean), Glasgow.

Jack, R. A. (W. P. & J. A. Scott), Edinburgh.  
Jarvis, C. W. S. (Miller, McIntyre & Gellatly), Dundee.  
Johnson, M. F. G. (Thomson McLintock & Co), London.  
Johnston, G. E. F. (Wilson, Stirling & Co), Glasgow.  
Jones, D. S. (Stewart Marcus), Edinburgh.

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## REVALUATION OF ASSETS

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## The Rating Dilemma

PENDING the publication of the Allen Committee's Report on the incidence of the rating system, public discussion of local rating has been virtually halted. Nevertheless, the Government is currently examining the problems of financing the rising cost of local government and interested parties are doubtless beginning to assemble their evidence. The County Councils Association have followed up their proposal, made last June, that Exchequer grants should cover a larger proportion of local expenditure than in the past, by publicizing the implications of the present trends in local authority expenditure.

Since 1949, and more especially in the last six years, the rate of growth in local authority expenditure has outstripped that of the gross national product. It is also clear that this trend will continue. According to the National Economic Development Council's report the annual growth rate in the gross national product should be 4 per cent, while education expenditure, which dominates local authority finances, is already rising at 5.7 per cent annually. Furthermore, it is almost certain that this rate will be exceeded; as in the case of road construction and welfare, which are predominantly local responsibilities, expenditure will rise.

If the current rates of growth since 1961-62 are projected up to 1971-72, the gross national product should increase by 48 per cent, but local expenditure will rise by at least 74 per cent. Assuming no change in the present relationship between grant and rate income, it follows that the amount to be raised in rates in 1971-72 will be £1,300 million, against some £915 million last year. Even if the average householder's income keeps pace with the expansion of the national product, between 1961-62 and 1971-72 the proportion of his income allocated to rates will still increase by one-sixth. For retired persons or others whose incomes do not grow so rapidly, the relative rise will be still greater.

These are strong reasons for the County Councils Association's earlier contention that the only solution to the problem of mounting local expenditure is the payment of larger Exchequer grants. Nevertheless, there remains the fundamental question of how the aggregate grant is to be allocated between local authorities. Currently the General Grant, representing about four-fifths of all grant aid, is allocated on a percentage basis, and the Rate Deficiency Grant on a formula basis. The efficacy of the County Councils Association's proposals must depend upon evolving a basis for grant allocation which reflects both resources and needs more accurately than is the case at present.

FINANCE BILL

## Plant Hiring – II

IT will be recalled that clause 16 provides *inter alia* for the imposition of Case VI tax on a person who obtains a capital sum 'in respect of the lessee's *interest* in the lease' if he was the person who made a payment which ranked for tax relief (sub-clause (1)). We were examining the categories of sums etc. which fall within the quoted description as set out in Schedule 7, which incidentally talks about references in clause 16 to 'sums obtained in respect of the lessee's *rights* under a lease'. No doubt the lessee's rights and his interest are synonymous, but the unnecessary use of two different terms adds to the confusion.

Paragraph 3 (1) of Schedule 7 in effect directs that sums etc. obtained by an 'associate' of the person entitled to the lessee's rights under the lease, being sums obtained in respect of those rights, are to be included in the categories of sums obtained in respect of the lessee's rights. Taken literally, paragraph 3 (1) seems to go round a wide circle for the purpose of stating the obvious. What the draftsman presumably was trying to say is that if the capital sum goes to the associate of X. in that way (X. being the person who made the payment which ranked for tax relief) then X. (and not his associate) is to be treated for clause 16 purposes as having obtained the capital sum, and charged to tax accordingly. If so, it is to be hoped that some kind of coherence will be introduced into paragraph 3 at the committee stage of the Bill.

Paragraph 3 (1) is concerned with the case where the consideration for the lessee's rights goes to his associate, without the associate ever having been entitled to the rights themselves. Paragraph 3 (2) deals with the case where the person entitled to the lessee's rights disposes of any of them to an associate. He may, of course, dispose of them at an under-value. Therefore paragraph 3 (2) provides for the substitution of the greater of the two following figures as consideration:

- (a) the value in the open market of the rights disposed of to the associate; or

- (b) the value of those rights to the person to whom they are in effect transferred.

If, exceptionally, the associate pays a consideration worth more than either (a) or (b) then that higher consideration is adopted for clause 16 purposes, just as though he were not an associate of the disponent. What is to happen when the associate then redispenses of the rights to *his* associate is not stated.

For the purposes of paragraph 3 (1) (2), a disposition can be direct or indirect, and can be effected by any transaction described in paragraph 3 (2). One can only pity the unfortunate unpaid general commissioners of tax when they have to thread their way not only through this maze of verbiage, but also through the tortuous convolutions of the kind of transactions which Schedule 7 contemplates.

Now the asset which is the subject of the device may be employed in a business carried on by a partnership, and the 'capital sum' may go to the partnership as a whole. The profits of the partnership would be assessed to income tax under Case I or Case II. The capital sum would be assessed under Case VI, therefore, by individual assessments, not by a single assessment on the partnership as a whole. Therefore, paragraph 4 (1) of Schedule 7 directs that, if the asset continues to be used in the partnership business, the sum obtained is to be apportioned between the partners:

'in the shares in which they are then entitled to the profits of the trade, profession or vocation'.

It is a matter for speculation how this would be applied where one or more partners received only a fixed 'salary', with no fractional share in the profit.

Subject to paragraph 4 (1), a sum obtained by persons jointly entitled to the lessee's rights under a lease of an asset is apportionable 'according to their respective interests in the rights' (paragraph 4 (2)). Reading this with clause 16 (1) we now have interests in rights in interests. When a sum has been apportioned among persons pursuant to paragraph 4 (1) or 4 (2), the question will arise



as to what tax relief has been obtained in respect of his own share of the payment of rent etc. (see clause 16 (1)). Here the draftsman gives up the unequal struggle and says the payment is to be apportioned 'in such manner as may be just' (clause 4 (3)). It follows from paragraph 4, as well as from paragraphs 2 and 3, that there can be a conflict of interest between the various individual taxpayers who are concerned in transactions which fall, or are alleged to fall, within clause 16. Machinery for settling such conflicts is ready to hand in section 329 (1) of the Income Tax Act, 1952, which deals with the settlement of problems as to the apportionment of sums in connection with capital allowances. Paragraph 4 (4) of Schedule 7 applies section 329 (1) for the purposes of apportionments under the schedule.

Paragraph 6 (1) deals with the problem where a person obtains (or is treated as obtaining) more than one capital sum in respect of the lessee's rights under a lease of an asset. To the extent to which a payment ranking as a 'sub-clause (4) deduction' is taken into account in making an assessment under clause 16 (1) in respect of one of the capital sums, that part of the payment is to be ignored in computing the charge in respect of the other capital sum. Otherwise there would be double taxation.

It will be recalled that the Case VI assessment in respect of the 'capital sum' is to be made for the year in which it is 'obtained'. On the other hand, the *quantum* of the assessment depends on the making of payments and the granting of 'sub-clause (4) deductions' in respect of those payments. Now these payments may not be made until after the obtaining of the capital sum. To protect the Revenue's power to raise assessments after the event, paragraph 7 (2) of Schedule 7 extends the usual six-year time limit. The assessment can be made at any time not more than six years after the end of the year in which the payment was made.

Clause 16 does not merely impose a liability to income tax; it also imposes liability to profits tax in appropriate cases. Clause 16(2) provides as follows:

'(2) Subject to the next following section, where:

- (a) in computing the profits or losses of a trade or business for the purposes of the profits tax a deduction is allowable in respect of a payment made under a lease of an asset of any description, and

(b) before, at or after the time when the payment is made the person who made the payment had obtained or obtains a capital sum in respect of the lessee's interest in the lease,

the person who made the payment shall be treated for the purposes of the profits tax as having received [*sic*] income chargeable to the profits tax at the time when the sum is obtained of an amount equal to the amount of the payment in respect of which a deduction is so made.

Provided that the total amount of the income which is to be treated as arising [*sic*] under this subsection by reference to the capital sum shall not exceed the amount of the capital sum.'

It is not necessary to repeat what has been said about the meanings of the various expressions used in clause 16, or about leases created before April 15th, 1964. However, it is noteworthy that here again the provisions do not in terms confine the clause 16 liability to the person who in fact obtained a profits tax deduction. When one reads this with the provisions of paragraphs 2 and 3 of Schedule 7, one sees the possibility of a person who is not otherwise chargeable to profits tax being deemed to receive income chargeable to that tax. How this can be fitted in with the general profits tax provisions, including the immunity of individuals and the exemption and abatement limits, is a matter for speculation.

In relation to cases where more than one capital sum is received, paragraph 6 (1) (b) makes profits tax provision corresponding to the income tax provision in paragraph 6 (1). Paragraph 6 (2) makes it clear that references to allowable deductions include references which would have been allowable but for section 42 (5) of the Finance Act, 1938. This is the subsection which prohibits deductions for certain intra-group payments. As regards time limits for making profits tax assessments under clause 16 (2), paragraph 7 (2) of Schedule 7 makes an extension corresponding to the extension for income tax assessments. Thus a profits tax assessment can be made at any time in the six years following the end of the chargeable accounting period in which the payment ranking for deduction was made.

(To be continued.)

There was a misprint in Part I of this article in last week's issue on page 651. In the indented matter (i)-(iv) of the second paragraph, the first line should have read 'a surrender of the rights to the lessor' not 'a surrender of the rights of the lessor'.

# Costing of Government Defence Contracts

by K. HARTLEY, B.Sc.(Econ.)

THE recent controversy over the profits and losses which have been made by two defence contractors has given rise to considerable doubts about the present system of costing Government defence contracts. For the financial year 1964-65, research, development and production in the military sphere is estimated at a gross figure of £1,018.84 million or approximately 45 per cent of total gross defence expenditure. Much of this research, development and production will be undertaken by private industry, and it is, therefore, appropriate to examine the various types of defence contracts, and the methods of pricing such contracts which are allocated to private firms.

At the outset, it is worth emphasizing a number of basic facts. Firstly, each of the Service Departments exercises its own procurement functions in certain spheres of equipment and stores, and the Ministry of Aviation is responsible for the supply of military aircraft, guided weapons, radar, electronic equipment and nuclear weapons. Although the establishment of an integrated Ministry of Defence in April 1964, abolished the Admiralty, War Office and Air Ministry as separate departments, the '... procurement of weapons and military equipment, other than those for which the Ministry of Aviation is responsible, will continue to be in the hands of ... the Controller of the Navy, the Master-General of the Ordnance, and the Second Permanent Under-Secretaries of State for the Navy, Army and Air Force'.<sup>1</sup> For the sake of brevity, it will be convenient to refer to the Service Departments as they existed prior to 1964. Under the new arrangements, the Ministry of Aviation, with its responsibilities for the sponsorship of the aircraft industry, will continue to be an independent department.

Secondly, both the Admiralty and the War Office possess their own design, development and manufacturing establishments. The Royal Dockyards undertake the repair of the Fleet, and to some extent, the yards have been involved in the construction of new capacity. The

Royal Ordnance Factories are responsible for the supply of tanks and ammunition. The existence of these facilities does not prevent both the Navy and the Army placing development and production contracts with private industry. For example, the Admiralty has advanced two main reasons for putting work out to contract: '(i) to supplement the internal resources of the Admiralty and to make use of the equipment, skills and experience available in firms who specialize in different technical fields, and (ii) to educate industry ... in the specialized needs of the Admiralty'.<sup>2</sup>

## Nucleus of Manufacturers

In the case of military aircraft, design, development and production work is largely undertaken by private industry. Given that the Services must rely upon the facilities of private firms for the development and production of many weapons, it is inevitable that there will be a tendency to maintain a nucleus of armaments firms as a reserve for future emergencies. This need to maintain a reserve of capacity must somewhat limit the extent to which defence contracts can be allocated on the basis of competition. Indeed, in 1952-53, over 55 per cent, by value, of the Ministry of Supply's contracts placed with industry were non-competitive contracts, and a Ministry spokesman at the time stated that he thought very nearly half the Ministry's purchases would always be on a non-competitive basis.<sup>3</sup> Such non-competitive contracts give rise to the problem of price determination on defence work. The Public Accounts Committee has always accepted the view that competitive tendering is the surest safeguard against excessive profits being reaped on Government contracts. However, with many non-competitive defence contracts, the prices to be paid were left to be settled after the work had begun, generally because adequate information

<sup>1</sup> White Paper on Central Organization for Defence. Cmnd. 2097.

<sup>2</sup> Select Committee on Estimates 1955-56 - Seventh Report, *Naval Research and Development*, page xxii.

<sup>3</sup> The Ministry of Supply existed until 1959 when its responsibilities were divided between the War Office and Ministry of Aviation.

on which to reach a negotiated agreement on price was not available at the time the contract was placed. In these circumstances, there is a danger that price negotiations between the Ministry and the firm might proceed for so long that the work might be completed before a contract was negotiated, and the Ministry would then be faced with what was in effect a cost plus contract.

All new weapons for the Services must go through two basic stages: the design and development process and then the production stage. A separate contract is usually given for each of these stages. There are, however, a number of methods of costing development and production contracts which are allocated to private firms. Probably the most widely known are the cost plus and fixed price contracts.

### Cost-plus Contracts

With research and development contracts, it is virtually impossible to proceed on the basis of a fixed price.<sup>1</sup> This is because of the long time-lag with development work on modern weapons and the inevitable modifications which are required by the Services. Thus, with development contracts where the firm is probably working at the 'frontiers of knowledge', the contractor is usually paid his actual total costs after the completion of the work, plus a percentage allowance for profit based on the actual costs. Clearly with 'cost plus a percentage profit' contracts there is no incentive to efficiency, since the greater the firm's total costs, the higher will be the absolute size of its profits. The only constraint on such 'cost plus percentage' contracts is that the Government's technical cost officers will not allow the firm to claim for any costs which are considered to be 'unreasonable'. The aircraft carrier, H.M.S. *Eagle*, which underwent many modifications during its ten-year construction period, was priced on the basis of 'cost plus a percentage profit'. In addition to development contracts, 'cost plus percentage' pricing is sometimes used on weapons repair work, as with ships, where it might not be possible to estimate the cost of the job until the work is well advanced.

There are a number of variants of the cost plus type of contract. Where it is possible to determine some standard of estimating the cost of the development work being undertaken, a 'cost plus a fixed fee' contract might be negotiated. Under this contract, the firm receives a guaranteed

profit or fixed fee, which is a fixed sum based on the *estimated* total costs of the project. When the work is completed, the firm will receive its *actual* costs incurred on the project, provided that these are considered to be 'reasonable', together with the fixed fee. Since the fixed fee is based on estimated costs, this type of contract offers some incentive to efficiency in development work, or where the work is of a protracted nature. The contract for H.M. Yacht *Britannia* was framed on the basis of cost plus a fixed fee. Indeed, this contract illustrates the incentive effect of cost plus fixed fee contracts. The Public Accounts Committee which examined the contract commented, 'This fee was negotiated at an early stage of the work and the rate of profit it yields to the contractor appears to be moderate'. A witness explaining this moderate profit rate stated that since the fixed fee was negotiated at an early stage in the contract '... it is because the cost has gone up quite appreciably that it has brought the rate of profit down to a lower figure'.<sup>2</sup>

The Ministry of Aviation's use of target cost contracts represents a further variant of the cost plus system. With target cost contracts, the Ministry and the contractor, at some early stage in the development work, agree a target cost, which will be based upon the total estimated cost of the job. Upon completion of the contract, the firm recovers its actual costs, but there is a reduced or increased profit rate depending on the extent by which the target costs are exceeded or undercut, respectively. Target cost contracts also impose obligations of timing upon the contractor. It can be seen, then, that with costs plus fixed fee and target cost contracts, the contractors always recover their *actual* 'reasonable' costs, but with the former type of contract, the firm receives a fixed fee, whereas with the latter, the firm can, at the worst, earn zero profits.

Where defence research and development work is likely to yield knowledge which will be of commercial value to the firm, then the appropriate Ministry procurement authority might negotiate a contract whereby the firm pays a fixed proportion of the final cost of the work. For example, where the Admiralty can persuade the contractor that the defence research and development work will be of value for its own purposes, as well as to the Navy, a contract is concluded on the basis of a definite contribution by the firm to the total cost of the work. These research and development contracts are concerned solely with cost, and

<sup>1</sup> Fixed price is a price fixed at an early stage in the work and based on the *estimated* total costs of the work.

<sup>2</sup> Public Accounts Committee - Third Report 1953-54, page xiv, and Minutes of Evidence Q's 5541-43.

there is no profit, the commercial advantage to the firms being the knowledge which they acquire. For these contracts, the Admiralty forgoes its right to share in the proceeds from sales for commercial purposes. If, however, a Ministry bears the whole cost of military research and development undertaken by a private firm, then the Ministry has the right to share in the proceeds of any non-United Kingdom Government sales of articles or equipment resulting from that design. With aircraft, the Ministry of Aviation normally covers the total cost of designing and developing military aircraft, but if the contractor is able to sell the resulting production aircraft to other Governments, in addition to Her Majesty's Government, the Ministry usually secures some payment from the contractor in respect of those sales. This payment is calculated at about  $7\frac{1}{2}$  per cent of the selling price of the aircraft, and it represents that part of the price which is due to the Ministry for the research and development expenditure which the Ministry put into the aircraft in the first instance.

### Fixed-price Contracts

Fixed-price contracts are usually negotiated where the work to be undertaken is of a standardized nature, as with production work. The essential point about these contracts is that they are negotiated either before, or during the early stages of, the production process and therefore the resulting fixed price is based on an *estimate* of the total costs of *production*, plus a profit margin. With non-competitive defence contracts, the price is built up from estimates of total direct labour, materials and overhead costs, checked by the appropriate experts, with an addition for profit. The firm will, of course, have recouped its pre-production costs on the development contract.

In the case of certain Army and Navy production contracts given to private firms, the existence of the Royal Ordnance Factories and the Royal Dockyards provides some 'measuring rod' for checking the cost estimates submitted by the firm. The Royal Ordnance Factories produce tanks and ammunition, so that the technical costs officers can calculate accurately the estimates of the production costs of the same items in a private firm. Similarly, the Royal Dockyards have traditionally undertaken a limited amount of new construction '... because it does give ... a check on private firm's costs'.<sup>1</sup> In the aircraft

industry, production orders are usually placed with the firm which undertakes the design and development contract, and since there are no wholly Government-owned aircraft production establishments which will be undertaking identical work, the Ministry of Aviation has to fix a fair price for these non-competitive production orders.

In negotiating a fixed price production contract, the firm will submit to the Ministry an estimate of the total costs of manufacture. A body of Government officials known as technical costs officers will examine the firm's estimates of direct labour and materials costs for the contract, and Government accountants will examine the estimate for overheads. In the case of Ferranti, the fixed price contract was not finally agreed until the production work was well advanced. Ferranti was allowed an estimate for direct labour costs of £1,170,000. The overhead recovery rate which the Ministry of Aviation agreed to allow Ferranti was 558 per cent.<sup>2</sup> This rate is multiplied by the firm's estimated direct labour costs in order to determine total production overhead costs. Once the Ministry experts have decided upon an estimate of the reasonable costs of manufacture, namely, direct labour, materials and overhead costs, the firm is allowed a margin for profit, the profit percentage being 7 per cent of estimated costs in the Ferranti contract. As soon as a fixed price contract has been negotiated and agreed, the Ministry has no further authority to examine a firm's books. With the Ferranti production contract, the *estimate* allowed for direct labour costs bears no relation to the actual figure of £574,000, and consequently this 'error' between estimated and actual labour costs was magnified via the overhead recovery rate, so that Ferranti finally earned a profit of 63 per cent on cost! The table below<sup>3</sup> shows the relevant cost data on the Ferranti contract.

Ferranti's profits represented a rate of return of 113 per cent on capital employed, or 40 per cent on turnover. The 'excessive' nature of these profits can be gauged from the fact that Mr Amery, Minister of Aviation, has stated that:

<sup>2</sup> The overhead recovery rate can be obtained by dividing the firm's production overhead costs by its actual direct labour costs, and expressing the resulting figure as a percentage. These actual costs are based on the firm's accounting records of past performance. The resulting overhead recovery rate is then multiplied by *estimated* direct labour costs for the contract.

<sup>3</sup> Source: Public Accounts Committee Report on Ferranti Contract. Figures refer to period up to March 31st, 1961, and include export orders. The total profit made by Ferranti to completion of the contract has since risen to £5.4 million.

<sup>1</sup> Select Committee on Estimates Subcommittee E - H.M. Dockyard - Minutes of Evidence Q. 228. 1950-1951.

	<i>Actual Costs</i> £	<i>Cost Estimates</i> £
Materials, Subcontracting		
Tooling .. .. .	3,569,000	3,197,000
Direct Labour .. ..	574,000	1,170,000
Overheads (558 per cent × Direct Labour) ..	3,077,000	6,633,000
	<u>7,220,000</u>	<u>11,000,000</u>
<i>Profit</i>		
Estimated: 7 per cent on cost .. .. .		770,000
Actual: 63 per cent on cost .. .. .	4,550,000	
Total Price of Contract ..	<u>£11,770,000</u>	<u>£11,770,000</u>

'The average percentage of profits related to capital employed by the major Government contractors in the aircraft industry is disclosed in their public accounts as 6.3 per cent in 1961 and 7.5 per cent in 1962.<sup>1</sup>

### Profit Margins

How do Government officials calculate the percentage profit to be allowed on non-competitive orders? The contractor's profit is related to the capital employed and the rate of turnover of this capital. The rule is that where the firm turns its capital over once in a year, it will receive a profit rate of  $7\frac{1}{2}$  per cent which will be applied to the cost of the work.

$$\text{Profit Formula: } 7\frac{1}{2} \text{ per cent} \div \frac{T}{C}$$

T = Turnover of capital  
C = Capital employed

The Ministry officials can add extra percentages for risk and efficiency, provided that the profit margin on fixed price contracts does not exceed 15 per cent on capital employed. With non-risk contracts (development work) the profit margin is restricted to a maximum of 10 per cent on capital employed. Obviously, with fixed price contracts, the profit margin will be based on *estimates* of total cost, and hence such contracts carry the greatest risk of loss as well as providing the greatest incentive to efficiency. Once the fixed price is agreed, the contractor has every incentive to beat the cost estimates on which the price was fixed. In other words, with fixed price contracts, the profit margin can be regarded as the reward for 'risk-taking'. But with cost plus work, where there is no risk of loss, the profit

margin merely represents a return on the capital employed and a payment to cover the expenses of management.

The profit formula described above is not applied universally. The extent to which it is used as a guide in contract negotiations with a firm will depend on the proportion of the firm's output which the Government wishes to purchase. In settlements with the aircraft industry, where the Government is a powerful buyer, the formula is widely applied. In the early 1950s, however, the Public Accounts Committee reported that the motor-car industry had refused to accept the profit formula as a guide in price negotiations for vehicles '... maintaining that it was not the way in which they built up their own prices in normal commercial activity. They preferred to sell at retail list price less a discount, and the Ministry of Supply had accepted this'. The Ministry had maintained that the vehicles were in commercial production and the list price was fixed in relation to other competition.<sup>2</sup>

In the limited number of Parliamentary publications which have examined the pricing of Government defence contracts, it is interesting to observe the numerous references to the need to calculate prices on the ethical principles of 'fair' and 'reasonable'. In the recent Parliamentary debate on 'Contracts', Mr Julian Amery admirably summarized the position when he stated, 'What we want to see is neither excessive profit nor excessive loss. What we want to see is fair and reasonable prices'.

### United States Defence Contracts

During August 1963, Mr McNamara, the United States Secretary of Defence, introduced a new policy on the profits which could be earned on defence contracts. Basically, this new policy is aimed at achieving cost reductions through profit incentives. Prior to the new scheme, the average profit on United States defence contracts was only about 3 per cent on cost, which was regarded as too low a rate of return, even on 'riskless' work. Under the new policy, defence contractors will be allowed to earn up to a maximum of 20 per cent of the actual total cost of the work (before tax). There will, however, be a complex system of rewards and penalties which will have the effect of raising or lowering the percentage profit to be allowed. A contractor's percentage profit will be assessed on the amount of risk involved in the contract, with the highest

<sup>1</sup> *Hansard*. April 29th, 1964. Column 417.

<sup>2</sup> Public Accounts Committee - Third Report - 1953-54 - page vii.

percentage being allowed for fixed price contracts which are negotiated on estimated total costs without experience of the work to be undertaken. Management performance, especially in relation to the size of the direct labour and overheads required for the contract, and the firm's performance in administering subcontractors and purchasing bought-out equipment, will also be used to assess the profit percentage which the firm will receive. Whatever the total profit percentage a defence contractor succeeds in accumulating, after running this gamut of rewards and penalties, it is impossible to earn more than a profit of 20 per cent on cost.

### Conclusions

Since the Ferranti controversy, numerous suggestions have been made about the pricing of Government defence contracts, especially in the sphere of aviation. It has been alleged that the technical costs officers are an underpaid and overworked body, and that there should be more co-ordination between these officers and the accountants involved on the same project. Another view is that the profit on defence contracts is totally inadequate. Basically, defence contracts must be priced so as to stimulate efficiency, whilst preventing firms earning 'excessive profits'.

One solution to the problem of pricing defence contracts would be the wider application of a modified target cost incentive type of contract, especially on production work. With such contracts, target costs based on cost estimates would be established, either at the inception of the contract or during the initial stages of production. A nominal fixed fee might be guaranteed on the basis of target costs. Upon completion of the work, actual costs considered to be 'reasonable', would be compared with the previously established target costs, and an incentive formula applied. This formula would provide that to the extent that actual costs were below target costs, the sales price to the Government would be reduced by, say, 80 per cent of the cost reduction, the firm retaining the remaining 20 per cent of the cost reduction in the form of incentive profits. Where actual costs exceeded target costs, 20 per cent of the excess would be borne by the defence contractor, and the remainder by the Government. Such a system of target cost-incentive contracts applied to production work would eliminate the need for any arbitrary renegotiation of profits upon completion of the work. Profits would be allocated according to a

clearly defined incentive formula. However, in order to prevent firms earning excessive profits from defence work, it might be necessary to impose a maximum profit percentage which could be earned on the actual costs of a contract.

Finally, a word about the need for opportunity-costing techniques<sup>1</sup> in planning total defence expenditure. The United Kingdom Government is trying to maintain defence expenditure at about 7 per cent of the G.N.P. In allocating this defence expenditure between the various competing demands of the Armed Forces, consideration should be given to the relationship between the various alternative methods of accomplishing given objectives, and the money cost or the resources required for each of these alternatives. For simplicity's sake, it can be taken that the money cost of defence represents command over part of the nations resources. Using opportunity cost analysis, the defence planners could consider the alternatives to, say, the Polaris programme. Official estimates of the total cost of the Polaris programme have been in the region of £250 million. Yet the objective of delivering nuclear weapons could be accomplished by spending this money on an additional one hundred TSR-2 aircraft, at £2½ million per unit. Consideration of the cost and effectiveness of alternative weapons systems in relation to objectives would maximize the military capability which could be obtained from a given defence budget. At present, in the absence of opportunity cost techniques, it seems that the United Kingdom defence planners allocate their budget according to the requirements and priorities of each of the Services.

To summarize, it can be seen that any discussion of the need to stimulate efficiency in an effort to stabilize total defence costs, really involves two separate problems. First, given that some 7 per cent of the G.N.P. is to be devoted to defence, it is necessary to compare all the relevant alternative weapons systems from the point of view of the objectives which each can accomplish, and the costs of each of these alternatives. Efficiency in allocating a given defence expenditure means maximizing military capability, or in slightly different terms, minimizing the cost of attaining given military objectives. Secondly, once it has been decided which weapons systems will maximize total military capability, it is necessary to allocate and price defence contracts with private firms so as to induce cost consciousness and the efficient accomplishment of any defence work.

<sup>1</sup> Consideration of the cost of the 'next best' alternative.

# The Science of Price-fixing—II

by E. J. BROSTER

## Extraneous Factors

OF all the problems that face investigators into optimum prices, the evaluation of the elasticity of demand is by far the most difficult. For some commodities and services, it must be unsolvable. The gross receipts curve in Fig. 1 demonstrates a static condition: factors in demand other than price are assumed constant. To demonstrate the dynamic position, a number of curves would be required, each expressing a different static condition, and the spaces between them would be the measure of the effect of these extraneous factors, on the gross receipts vertically for a given quantity, and on quantity horizontally for a given amount of gross receipts. (Extraneous factors do not necessarily affect the elasticity of demand for a given range of prices, or for any given price. Where they are known, a subjective judgement of whether they have affected the degree of competition should be sufficient. The death of an old competitor or the birth of a new one would; a change in the amount of advertising relative to that of competitors probably would not.)

Economists' demand equations, of which equation (ii) above is a type, usually express price as a function of sales rather than sales as a function of price. I think Alfred Marshall started this convention, no doubt with agriculture in mind. With a fixed or inelastic supply, price becomes a function of sales or rather of quantity in supply; but in manufacturing industry, the supply can be quickly adjusted to meet changes in demand, so that sales are then properly a function of price. As it happens, the economists' convention suits our purpose, since we are concerned in the first instance with gross receipts as a function of sales in terms of quantity, for in both, the quantity sold is measured on the horizontal or  $x$ -axis.

## Maximum Profit

Now if we draw the total cost curve against the total sales curve in Fig. 1, we can compare the two with a view to finding where the maximum profit lies. As I said in the article on marginal costing,<sup>1</sup>

the total cost curve is usually a straight line for all outputs within the capacity of the plant. Fig. 2 shows the two curves. It will be observed that the maximum profit is achieved at sales  $q_m$ , that is, where the two curves are parallel, or in other

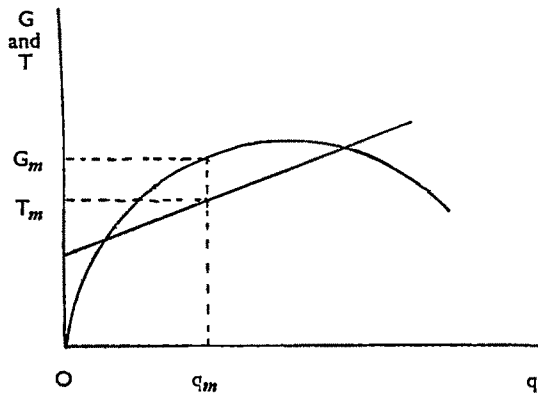


Figure 2

words where the marginal cost is equal to the marginal revenue. The marginal revenue is not the same as the price, as is sometimes supposed, as a comparison of the first and last columns of Table I will show. The marginal revenue is defined as the net increment of gross receipts from the sale of one additional unit of output resulting from a fall in the price. It is measured by the slope of the sales curve at any point, which is equal to the differential coefficient of  $G$  with respect to  $q$ , i.e.:

$$\text{Marginal Revenue} = R = \frac{dG}{dq} \quad \dots (3)$$

which in our example can be written:

$$R = 100 - 20q \text{ in } \text{£s} \quad (2)$$

so that if  $q = 4$  units,

$$R = 100 - 20 \times 4 = \text{£}20$$

If the marginal cost is also  $\text{£}20$ , then the optimum price, the price that will give the maximum net profit is  $\text{£}60$ , as will be seen from Table I. This figure can be obtained by applying the optimum price formula of equation (1):

$$p_m = \frac{ae}{e-1}$$

<sup>2</sup> This equation is particular to the example. An equation of general application is:

$$R = p \left( 1 - \frac{1}{e} \right) \quad \dots (3a)$$

<sup>1</sup> *The Accountant*, February 15th, 1964.



substituting for  $a$  and  $e$  ( $e$  being 1.5 at this point as Table I shows), we have:

$$p_m = \frac{20 \times 1.5}{0.5} = £60$$

so that although it is useful to know the marginal revenue at any given price, it is not essential for optimum pricing purposes.

We can look at the marginal revenue in another way – perhaps in the circumstances of our example, a more realistic way. It will be observed from Table I that when we reduce the price from £90 to £80, we sell one more unit, and increase the gross receipts by £70 from £90 to £160. This increment of £70 is the marginal revenue for the second unit sold. Similarly, for the third unit the marginal revenue is £50, for the fourth £30, for the fifth £10, for the sixth –£10 and so on. Where the sales schedule proceeds by one unit of output at a time (a very rare occurrence indeed), this method (of finite differences) of determining the marginal revenue can always be used; but where it does not, then there is no good alternative to the differential coefficient, equation (3), or better equation (3a) in the footnote.

Mathematically, the difference between the two sets of marginal revenues is that those derived by applying equation (3) give the figure for a point on the sales curve, whereas those derived by finite differences give the figure for a finite arc of the sales curve representing the distance covered for one unit of output.

We can now see more precisely how and why the marginal revenue differs from the price. For the third unit sold, the marginal revenue is £50, the price falling from £80 a unit to £70. The figure of £50 is made up as follows:

	£
Receipts from sale of third unit: 1 unit at £70	70
Deduct: loss for price reduction on first and second units: £80 – £70:	
2 units at £10 .. .. .	20
	—
Marginal revenue .. .. .	£50

### Economists' Approach

Just as economists discuss the question of cost in terms of the graph of the marginal cost, so they also discuss revenue in terms of the graph of the marginal revenue in contexts dealing with the relation between cost and revenue. For our example, the marginal revenue plotted against the quantity sold forms a straight line sloping

downward to the right beginning at £100 for zero output (a purely theoretical figure), dissecting the  $x$ -axis for zero marginal revenue at  $q=5$ , and terminating at a marginal revenue of –£100 for  $q=10$ . The marginal cost curve, as we have seen, is usually a straight horizontal line. If we plot this on the same graph, the value of  $q$  corresponding to the optimum price is indicated by the point where the two curves cross each other; that is, where the marginal revenue is equal to the marginal cost.<sup>1</sup>

Equation (1) may be rewritten:

$$p_m = a \frac{e}{e-1}$$

It will be seen from this that the greater the value of  $a$ , the marginal cost, the greater is the optimum price, for any given value of  $e$  greater than unity. The opposite is true of  $e$  for any given value of  $a$  greater than zero. And this is what one would expect of a measure of competition, for the greater the degree of competition, the lower the price tends to be. This is reflected in the way  $\frac{e}{e-1}$  behaves when the value of  $e$  changes: it moves in the opposite direction.

There is a paradox here. The producer of goods and services will always try to reduce both the marginal cost and the degree of competition and therefore the elasticity of demand. But a reduction in the marginal cost lowers the optimum price, whereas a reduction in the elasticity of demand raises it. The fact of the matter is that a balancing reduction in both such that the optimum price remained the same, would result in an increase in the net profit, other things being equal.

It is clear from Fig. 2 that since a fall in the marginal cost would reduce the slope of the cost curve, the point on this which is parallel to the gross receipts curve would move to the right for a greater quantity and therefore a lower price. Unless the time costs had increased, the net profits would be higher. A fall in the value of the elasticity of demand would reduce the slope of the gross receipts curve, and apart from the probability that the curve would move bodily upward in such circumstances, the movement to the left of the parallel points (see Fig 2), indicating a rise in the optimum price, would itself show an increase in the net profits.

An understanding of the foregoing theoretical matters is essential to anyone who would set himself out to be an expert on rational pricing, or

<sup>1</sup> See Joan Robinson, *Economics of Imperfect Competition*.



indeed to anyone concerned with advising managements on pricing policy at all. It is easy to be dogmatic on pricing policy as it is indeed with many other matters of business policy. A thorough knowledge of the theoretical background gives to the mind a degree of humility, which reduces the risk of being dogmatic in presenting the results of any investigation: it is always rising to the surface to question the validity of the assumptions that often have to be made when theory is being applied to the solution of a practical problem.

### Changes in Demand Elasticity

We have seen that the elasticity of demand tends to be greater for high prices than for low prices. In fact, although this is a theoretical truth, the elasticity of demand varies so slightly with changes in price that for practical purposes it can be said to be constant. But suppose it does vary significantly, and suppose further that the calculated optimum price lies outside the observed range of prices. Suppose, for instance, that the marginal cost,  $a$ , is £2, and the calculated elasticity of demand,  $e$ , is 1.5, then the calculated optimum price is:

$$p_m = \frac{2 \times 1.5}{1.5 - 1.0} = £6$$

This price of £6 is, say, higher than anything previously charged. What would happen if the elasticity of demand were significantly higher at this price than the calculated figure of 1.5? Try the effect on  $p_m$  of raising it to, say, 2.0.

$$\text{Then } p_m = \frac{2 \times 2}{2 - 1} = £4$$

That is, the higher the elasticity of demand the lower the optimum price for any given marginal cost. This necessarily follows from the fact that  $e-1$  grows more than proportionately to  $e$  as  $e$  increases. It is, of course, unlikely that  $e$  would rise from 1.5 to 2.0, but it might rise to 1.55, which would give an optimum price of £5.64 for  $a = £2$ .

The lesson to be learned from this is that when the calculated optimum price lies outside the observed range, it should be approached not in one step, but little by little, with the investigator noting carefully the effect of each change on the net profit.

I may say here that where the calculated value of  $e$  is less than unity, the optimum price formula – equation (1) – does not apply. If the calculation is accurate, the optimum price is very much

higher than the average of the observed range, and probably much higher than the highest in the observed range. Only a very considerable increase in price can raise the elasticity of demand significantly.

As I have implied, we can assume for all practical purposes that the elasticity of demand remains constant over the observed range of prices. The constant-elasticity demand function is:

$$q = kp^{-e} \quad \dots \quad (4)$$

where  $k$  is a constant. This expresses the quantity,  $q$ , sold or expected to be sold as a function of the price,  $p$ .<sup>1</sup>

### Determining the Elasticity of Demand

The easiest and sometimes the best approach to the problem of evaluating the elasticity of demand for a product of the firm is to put the question to a number of people in the selling department in a simplified form:

"The firm sold 122,000 bicycles of our model XYZ to retailers at an average price of £21 last month. How many do you think we should have sold if the price had been £18, and how many if it had been £25?"

One person's estimates, assuming they are based on nothing more than the feel of the market, would scarcely be of value. As many knowledgeable people as possible should be invited to provide answers, each independently of the others – collaboration needs to be forbidden – so that the averages of the two sets of estimates may be significant. Their standard deviations should be ascertained, and if they are appreciable, some allowance should be made for the appropriate margins of error in the calculated demand elasticities.

The rest is a matter of simple algebra. Suppose, to continue with the example of the bicycles, the averages are 149,000 at £18 each, and 97,000 at £25 each. Then we have the following sets of observations:

$p$	$\log p$	$q$	$\log q$
25	1.3979	97,000	4.9880
21	1.3222	122,000	5.0864
18	1.2553	149,000	5.1734

<sup>1</sup> The gross receipts,  $G$ , expressed as a function of the quantity sold under constant elasticity conditions, is unnecessarily complex for our purposes. From equation (4), we have:

$$p = k^{1/e} q^{-1/e} \\ \therefore G = pq = k^{1/e} q^{1-1/e}$$

The linear form of equation (4) is:

$$\log q = \log k - e \log p \quad \dots (5)$$

and applying it to these data, we have three equations for simultaneous solution:

$$\log k - 1.3979e = 4.9868 \quad \dots (a)$$

$$\log k - 1.3222e = 5.0864 \quad \dots (b)$$

$$\log k - 1.2553e = 5.1734 \quad \dots (c)$$

There are three solutions. From (a) and (b), the value of  $e$  is 1.316; from (b) and (c), 1.300; and from (a) and (c), 1.309.

The object of obtaining estimates for two prices, one above the actual and the other below, is to provide an internal consistency check on the salespeople's estimates. In this example, the check on the averages can be said to give a satisfactory result, and provided the standard deviations of the two averages are not significant, it may be taken that the elasticity of demand for the firm's XYZ model is somewhere in the region of 1.3 – a little higher on the evidence, but since salespeople the world over tend to overestimate the effect on sales of price change, probably a little lower.

If the current marginal cost is £3.94, then the optimum price would be £17.07, that is, applying equation (1):

$$p_m = £3.94 \frac{1.3}{0.3}$$

Needless to say, it is likely that the standard deviations of the averages of the estimates would sometimes be too great to be ignored, or that the three calculated values of the elasticity of demand would not be so close as those in the example. Various checks on individual estimates of the quantities that would be sold, or would have been sold, at the two hypothetical prices, could be devised, however, and even a competition introduced for a prize for the person who gave answers nearest to the averages. The latter would serve the twofold purpose of encouraging care in estimation and discouraging collaboration.

### Another Method

Another method of approaching the problem of determining the elasticity of demand is first to calculate the elasticity implied in the current actual price. This can be done by converting the formula of equation (1) into a form which expresses  $e$  as a function of  $a$  and  $p_m$ , and using

the actual price as the supposed value of  $p_m$ . Thus, beginning with equation (1), we have:

$$p_m = a \frac{e}{e-1}$$

$$\therefore \frac{e-1}{e} = \frac{a}{p_m}$$

$$\therefore e = \frac{p_m}{p_m - a}$$

The next step is to consider whether the answer seems reasonable in view of the competition in the market. However, only a person experienced in the uses and application of demand elasticities could hope to reach a reasonably safe conclusion, that is, to be able to say whether the implied value of  $e$  is significantly higher or lower than the true value with a reasonable degree of certainty.

### The Use of Statistical Methods

Finally, there is the more scientific approach, the application of one or more of the statistical methods of multiple correlation analysis to market demand, on which a number of books and papers has been published.<sup>1</sup>

There is no reason why the investigator should confine himself to the basic method – that of least squares – generally employed in studies of this kind. A wide range of methods of correlation analysis exists, from the simple graphic to confluence analysis, which is a development of least squares.<sup>2</sup> It is often revealing to begin an analysis with a two variable graph plotting the logarithms of prices against the logarithms of quantities sold, either in different places at the same time, or in the same place at different times. The dot diagram will at least indicate to the investigator the complexity of the task that faces him, and possibly the best method to employ. If, by any chance, the dots on the chart fall into close alignment, he may decide that the equation to the hand-fitted curve – which should be a straight line – will give him all he wants.

(To be concluded.)

<sup>1</sup> Notably: *The Theory and Measurement of Demand*, by Henry Schultz, New York, 1938. 'The analysis of market demand', by R. Stone, *Jnl R. Stat. S.*, 1945. 'The elasticities of demand for tea and price-fixing policy', by E. J. Broster, *Rev. Econ. Studies*, 1939.

<sup>2</sup> Very little space indeed is devoted to these methods in introductory textbooks on statistics, as they are considered for some reason to be too advanced. Mordecai Ezekiel is the recognized leading authority on them – vide his *Methods of Correlation Analysis* first published in New York in 1930, and since revised.

# The Accounting World

## **SOUTH AFRICA**

### **Developments in Management Accounting**

A TASK committee of the Joint Council of the Societies of Chartered Accountants of South Africa was set up last year to investigate the needs of the profession in relation to management accounting. Two members of the committee made an extensive tour of the country to address meetings of chartered accountants on recent developments in management accounting.

While the task committee has not yet presented its report to Joint Council, preliminary figures made available recently indicate that the great preponderance of those accountants and senior clerks who were questioned feel that the field of management accounting is one which should be catered for by the accountancy profession. Most feel that a post-qualification course in management accounting would be most desirable and nearly all indicated that if such a course was available, they would take it; the only group that was shy in answering the latter question was that of qualified accountants in practice ten years and over.

Most of the universities in South Africa are fully alive to the rapid developments in this field and one at least has already announced its intention of instituting a post-qualification course which sounds most interesting in its content and coverage.

### **Professional Indemnity Insurance**

IT was recently announced by the Joint Council that the replies to the questionnaire circulated among South African chartered accountants in public practice was considered to be a representative response and that it appeared that almost all practitioners indicated an interest in a group scheme of professional indemnity insurance.

One of the main advantages claimed for such a scheme is the possibility of closer liaison with the profession in the examination and settlement of claims through a centralized procedure in one insurance office. It appeared, too, that while most practitioners are already insured, a considerable number of them would be able to effect substantial savings in premium costs by participating in a group scheme.

Joint Council has therefore announced its support of the scheme and recommended that all chartered accountants in public practice should examine their particular circumstances, in the light of what is offered.

The scheme is to be administered by the South African associate company of a well-known London firm of incorporated insurance brokers and it will be underwritten on virtually the same lines as the similar

scheme which has operated successfully in Australia for several years past. It is expected that full details of the scheme will be issued to practitioners in the near future by the insurance brokers concerned.

## **TURKEY**

### **Move to Establish Accountancy Profession**

THE Turkish Parliament is considering a Bill to establish an accountancy profession in the country; members of it will be known as financial advisers (*Mâli Müsavir*) divided into two categories, independent (*Serbest*) and sworn (*Yeminli*).

An entrant to the profession must be a university graduate in law, political science, or economics; he must work for two years in the office of a financial adviser and sit an examination after that time. If successful, he becomes an *independent* financial adviser. He may then practise on his own or continue in employment; after another four years he may sit for another examination to qualify as a *sworn* financial adviser.

Members of the profession will not be specifically permitted to form partnerships. This form of association is deemed by Turkish law to be a commercial business, an activity from which advisers are debarred.

The syllabus for the examinations will be decided by the professional body which the Bill requires to be established. The examinations will be set and administered by committees; that for the first examination will be composed of three financial advisers, two university professors and one representative of the Ministry of Finance; and for the second, of two financial advisers, two professors and three representatives of the Ministry.

The Bill permits the Ministry of Finance to require a taxpayer to have his personal or corporate tax return countersigned by a sworn financial adviser. The adviser will then be jointly liable for its correctness. No other duties are required solely of advisers, although it is expected that they will deal with taxation and accountancy work and undertake the duties of auditor as defined by the Turkish commercial code; at present, the only qualification for an individual auditor or the majority of a board of auditors, is Turkish citizenship.

The Ministry of Finance will initially provide funds to support the profession which is later intended to become self-supporting. The Bill empowers the Ministry to give final approval to the profession's internal regulations and to be represented on its appeals committee.

Exemption from the training periods and the *Serbest* examination may be claimed by university professors in accounting, economics or related subjects and for Ministry tax inspectors having seven or

more years' service. The first members of the profession will probably be drawn from these sources.

While the establishment of an accountancy profession in Turkey is to be welcomed, it is unfortunate that it is to be so closely controlled by the Ministry of Finance in view of that Ministry's normal function as an assessor of taxes; but the Bill has been proposed by the Ministry itself in an attempt to create some additional means of assessment. (At present only an estimated 3 per cent of all tax returns are examined in detail by the Ministry, and with the likelihood of many inspectors joining the profession, it is hard to see that this percentage will increase.)

This lack of independence, coupled with a lengthy training period and a denial of the benefits of partnership, is likely to prove a considerable handicap to the profession as the need for more commercial-minded accountants becomes apparent. It is difficult, for example, to see the proposed profession supplying the needs of the large Turkish and foreign companies upon which much of the economy's advance depends, or of the many State enterprises, most of which urgently require reorganization, to say nothing of the much discussed capital market through which it is hoped private savings will be widely invested.

## **FINLAND**

### **Economic Situation**

THE rate of economic growth in Finland was somewhat livelier in 1963 than in the previous year. The increase in total production was 7 per cent in 1961; nearly 3 per cent in 1962, and not quite 4 per cent in 1963. The slow growth rate in 1962 was the result of the levelling off of the boom in the countries that are important for Finnish exports and export demand did not strengthen enough during 1963 to produce an essential acceleration of the growth rate in total production. The proportion of jobless workers in the total labour force which had averaged 1.2 per cent in the two earlier years rose to 1.4 per cent in 1963.

Prices showed a rising trend in the course of the year. The main reason was the increase in wage costs for the earnings level rose by a good 8 per cent during 1963. The 3 per cent increase in productivity and the slight rise in import prices provided something of a counterbalance to the general price level. The price controls in force from the beginning of 1962 were gradually dismantled and by the end of the year the majority of the prices had been exempted from control.

The value of exports increased by nearly 4 per cent but as the greatest part of this increase, about 3 per cent, was the result of higher prices, the volume increase from 1962 was short of 1 per cent. The greatest part of the growth in demand applied to wood and paper industry products. In contrast, slackened demand for sawn wood and round timber continued and metal-using industry exports contracted significantly. Imports decreased in the course of 1963. The value of imports was nearly 2 per cent smaller than in 1962.

The yield of property and income tax was slightly smaller than in 1962 because of the 'extraordinary' income tax collected from companies in that year. More surprising was the actual decrease in the yield of the turnover tax. The main reason for this was that the old turnover tax system affected investment goods specifically, and investment was fairly small in 1963. Another reason was the growing avoidance of turnover tax in 1963 by founding trading companies. Finally, in expectation of the reform of the turnover tax system on January 1st, 1964, trading tended to slow down at the end of the year.

## **UNITED STATES**

### **Management's Financial Statements in Proxy Solicitations**

THE accountancy profession, the securities exchanges and industry are concerned as to the Securities and Exchange Commission's proposal to require greater consistency between management's financial statements in proxy solicitations and the annual reports filed with the Commission. At present the 'annual report, including financial statements, may be in any form deemed suitable by the management'. It is proposed to delete this passage and require that the financial statements 'shall not be misleading in any material respect in the light of the financial statements included in the issuer's annual report . . . '.

In an official statement the President of the American Institute of Certified Public Accountants has expressed the Institute's concern lest this should encroach seriously on the professional responsibility of C.P.A.s to determine the principles and standards to be observed in financial statements, and to give their professional judgement as to the fairness of presentation. He inquires whether published financial statements would be considered misleading in the stated terms, if they conformed to accounting principles and practices accepted as sound by the accounting profession but not complying with S.E.C. regulations.

If the amendment is to be adopted, says the President, the Commission should make clear the criteria by which it will judge financial statements submitted to security holders under the rule.

## **NEW ZEALAND**

### **'Dollars' and 'Cents' in Decimal Currency**

THE New Zealand Minister of Finance, Mr Harry Lake, M.P., B.COM., F.P.A.N.Z., has commented on his recent announcement that the Government proposed to adopt the names 'dollar' and 'cent' for New Zealand's new decimal currency to be introduced in 1967. He said that the decision to use these well-known currency names had not been made lightly, but only after consideration of a large number of suggested names.

Mr Lake said that well over a hundred names had

been put forward for consideration – ranging from ‘dollar’, ‘pound’, ‘zeal’, and ‘crown’, through traditional names connected with Royalty, such as ‘royal’, and ‘rex’, and on to New Zealand names such as ‘silfern’, ‘rauri’, ‘anzac’, ‘enzed’, and ‘coaster’.

The only suitable names that could be considered seriously were ‘dollar’, ‘pound (new pound)’ and ‘zeal’. ‘Zeal’ had been suggested as a name distinctive of New Zealand. It was a one-syllable name, and was quite different from existing currency names. However, it was not considered appropriate. Furthermore, the name ‘New Zealand’ was derived from the Netherlands, and was originally bestowed upon the country by the Dutch in the form of *Nieuw Zeeland*. The Anglicized version was a direct translation of ‘Nieuw’ to ‘New’, while the spelling of Zealand appeared to be a corruption of the original Zeeland – the

spelling of the Dutch province which still exists today. It was also relevant to note, said Mr Lake, that in Denmark a large island – on which Copenhagen is situated – with a population of about one million and a half, is called Zealand.

The likelihood of confusion with the term ‘new pound’ or ‘pound’ was the main reason for rejecting this name for the new 10s unit. Mr. Lake said that ‘dollar’ was considered to be the most suitable name for the new unit, and it had therefore been decided to adopt it, together with the logical name ‘cent’ for the minor or one-hundredth part of the unit. A significant point was also that, adopted as a 10s unit name, it would be the highest valued dollar in the world. In addition, the adoption of this name by New Zealand as well as Australia would preserve a link in the two countries’ association.

## Weekly Notes

### SOURCES OF CAPITAL

IT is a commonplace that in recent years the investment market has been dominated by the resources of the institutions and the rapidly growing pension funds. Nevertheless, despite their increasing importance, statistical information on the scale and direction of their activities has been rather limited. With the growing awareness by the Government of the need for up-to-date statistical information relating to all aspects of the economy, and more especially the impetus given by the recommendations of the Radcliffe Committee, recent years have seen a considerable improvement in the quality and range of British financial statistics.

The latest fruits of these labours are reproduced in the current issue (May) of *Financial Statistics* (H.M.S.O. 8s 6d net) which summarizes information relating to the capital transactions of all financial institutions other than banks. In 1963 the accretion to their total resources was £1,846 million, of which life assurance and superannuation funds contributed £996 million, and building societies £481 million. The distribution of these funds between types of assets is illuminating. Company securities absorbed £768 million, as against only £111 million for British Government securities, although local authority paper, which took £186 million, obviously has its attractions. Of the £768 million invested company securities, £501 million was in ordinary shares and £224 in debentures.

A pointer to the investment preferences of the institutions during 1963 is provided by data which shows that net purchases of Government securities were lower in the second half of 1963 than in the first

half. Indeed, in the fourth quarter the institutions were not sellers. Over the same period the attractions of equities waned slightly in comparison with fixed interest securities which attracted a higher proportion of new funds.

One of the largest gaps in official statistical information relating to the economy is the annual rate of saving. Although a figure is published in the National Income and Expenditure Blue Book, it is only a residual, derived after estimating the other constituent items of the gross national product. Evidence for the paucity of information in this sphere is revealed in another table in *Financial Statistics* which shows for 1963 unidentified items totalling £872 million out of a total of £2,524 million, which is the total capital funds accumulated in the personal sector of the economy during the year. Perhaps the most striking feature of this particular table is the continuing growth in savings allocated to life assurance and superannuation. These totalled £794 million in 1960 and £996 million last year. Given the importance of personal savings for the Chancellor’s budgetary policy in the current year, the more information that the authorities can assemble on this subject the better.

### EXPORT CREDIT PROGRESS

REVIEWING the experience and results of the Export Credits Guarantee Department in 1963–64, Mr A. E. Percival, C.B., Secretary of the Department, noted that the volume of business transacted by the Department continues to expand. Provisional premium income at £7.5 million was well below the £9.2 million recorded two years earlier, but the 1963–64 figure related to a turnover 36 per cent higher and the lower premium income was directly attributable to the substantial cuts in premium rates made in 1963.

A feature of the past year’s business has been the

return of insolvencies and defaults as a major risk, even in some of the most stable and prosperous markets. The pattern which has long obtained in North America, with its intensive competition among traders, is now emerging in Europe. With the reduction of the internal E.E.C. tariff walls, competition from the more efficient producers spills across half a continent. Mr A. E. Percival commented that the new insolvencies stem not from fraud or incompetence, but from the failure of well-established and, by any reasonable test, competent firms to hold their own in keen and turbulent markets.

The dangers of competitive premium cutting continue and the past year has seen further discussion on the desirability of international co-operation. The emphasis in these discussions has turned towards co-operation between Governments rather than simply between credit insurers. The Berne Union has now established a system whereby purchasers are no longer able to the same extent as in the past to exploit the differences between credit insurers, but cases are still arising where purchasers, having acquired especially favourable terms from one insurer, then seek to exploit their gain in negotiations with other insurers. Insurers in different countries are pressing for a tightening up of arrangements in this respect, just as those inside the E.E.C. are harmonizing their various facilities. In so far as such harmonization should eliminate unfair competition, progress in this field is being watched with sympathy by the E.C.G.D.

### INTERNATIONAL CONGRESS OF ACTUARIES

THE seventeenth International Congress of Actuaries, with the Institute of Actuaries and the Faculty of Actuaries as joint hosts, was formally opened last Tuesday at the Theatre Royal, Drury Lane, London; it will conclude in the Usher Hall, Edinburgh, on June 3rd. Many of the leading figures in the actuarial profession are among over one thousand actuaries attending from more than thirty countries. Over one hundred papers have been submitted for discussion, covering a wide range of subjects. Business meetings in London are being conducted at Church House, Westminster, and in Edinburgh at the Faculty of Actuaries' Hall.

The first papers to be considered were national reports describing the duties and responsibilities of actuaries in various countries. Another group of papers dealt with one of the major problems of life assurance companies – the analysis, allocation and control of costs – and there were also papers describing developments in methods of pension provision during the last twenty years. Apart from technical aspects, a study is being made of the interrelation of private schemes with State schemes, and of the financing of pension schemes which provide for the adjustment of benefits to compensate for changes in the value of money. A further set of papers relate to the application of modern statistical techniques to all branches of insurance,

including linear programming, the theory of games, and the use of electronic computers.

During the week visits have been made to a number of institutions, including the London Stock Exchange, Lloyd's, the Bank of England and the National Physical Laboratory. The proceedings in London concluded yesterday (Friday) with a soirée at Guildhall at which the Lord Mayor and Sheriffs of the City of London were present.

The opening function in Edinburgh will be a B.B.C. concert in the Leith Town Hall tomorrow (Sunday), and Edinburgh Castle will be floodlit to mark the occasion of the Congress. The Lord Provost of Edinburgh will act as host at a civic reception given in the Assembly Rooms on Monday evening. A series of special meetings will be held at the Faculty of Actuaries' Hall commencing on Monday.

### STOCK EXCHANGE'S A.G.M.

THREE matters dealt with by the Chairman of the Council at the annual general meeting of the London Stock Exchange held last week are of interest to a wider public. Reference was made to the Stock Exchange's objection to the short-term gains tax. In the year concerned, the Chairman said that the tax in its present form caused violent and unnecessary fluctuations in prices and harmed the machinery of the market. It would be preferable to impose it as a percentage of the profit rather than on the individual's rate of tax.

The Stock Exchange is being pressed to supply certain statistics of turnover. To get them the Government can take powers under the Statistics of Trade Act, 1947. The figures required include total value of purchases in each day's business, total value of sales and the number of bargains relating to each of six categories of security making twenty-four figures in all. The Stock Exchange is likely to acquiesce readily, provided reasonable provision can be made for security and protection of members' interests.

Finally, the annual report makes some comments about the Federation of Stock Exchanges and reiterates that London has no intention of establishing a monopoly. Attention is drawn, however, to the unique jobbing system in London (a system which has its critics, of course), which in the event of closer working between United Kingdom exchanges, would have to be supported.

### SHARE STATISTICS

IN the year to March 31st, 1964, the market value of all securities quoted on the London Stock Exchange reached a new record high level of £59,841 million, an increase of £4,532 million on the previous record level reached in 1963.

*Statistics Relating to Securities Quoted on the London Stock Exchange*, recently published, shows

that at March 31st, 1961 securities were quoted on the market, an increase of fifty-seven on the 1963 figure. The market value of gilt-edged and foreign stocks rose by £171 million to £17,372 million but that was against an increase of £388 million to £23,580 million in the nominal value of stock quoted.

Securities of companies rose by £14.1 million to £1,570 million in nominal value but by as much as £4,360 million to £41,468 million in market value with more than half the increase accounted for under the 'Commercial and Industrial' heading.

In terms of recorded bargains, activity on the

Stock Exchange increased with the number of bargains rising by 659,088 to 3,842,185, a figure only surpassed by the 'boom' year of 1959-60.

The number of new quotations at 2,010, with a nominal capital of £3,523 million and producing £2,092 million in cash subscriptions, were all at new peaks.

Of forty sections of the market analysed in the statistics only eleven showed a lower market value at the end of the year than at the beginning. The two biggest falls were in the insurance and electrical groups.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 226

**J**UST for a handful of silver he left us', I murmured gently to myself, tactfully suppressing an urge to say it aloud to the tense young man sitting across the desk from me. That was my internal auditor. He was leaving the department, as ambitious accountants have done before, rising, as the poet has it, on stepping-stones of their dead selves to higher things. The problem was, as he put it to me, how wise was he to move?

His was no ordinary departure. In all offices there are eager aspirants for promotion, too impatient to wait for the filling of dead men's shoes, who move their jobs regularly. The pages of our Sunday newspapers, alike with the columns of *The Accountant*, fairly quiver with the offerings of glowing and remunerative appointments . . . secretary/accountant . . . comptroller designate . . . financial director . . . all enticing to the emulous men in the rising age group. But while others are moving up the rungs of the professional ladder, my subordinate was deserting accountancy to go into trade. They call it 'merchandizing' in the pretentious new phrase, you know, but it still means trade.

This internal auditor of ours has done good work for the company in the years since we decided to establish the post, and has fully justified recognition. He began by carrying out minor *ad hoc* assignments, all the little knobbly problems that a busy executive has been meaning to get around to for years without quite having the time; then he looked over systems and methods in his spare time. Several improvements resulted, and we widened his scope, giving him in effect a pretty free hand.

It was at this stage that he showed his real mettle. All too many accountants, as is not perhaps recognized widely enough, fail to look beyond their figures. They

not only relax happily when their accounts balance, but aim at their peak achievement in life at drafting comprehensive journal entries to adjust interrelated accruals. Even statutory auditors of otherwise outstanding brains and character are prone to this brain-washed pedantry. Our man proved otherwise.

He appreciated that the essence of retail drapery business was to sell more, quicker, at higher profit. He homed on the sales manager like an earth-to-air missile, with questions as to why? and how much? and why not? Each question was supported with a graph or a table of figures; each criticism was legitimate, though sometimes based on excusable ignorance.

There was nothing ignorant about the sales manager, however; he's reached his present position by being quick to spot a bargain. The second time the auditor's question highlighted an area of possible improvement, the sales manager's antennae twanged like a busy bee's at mating time; he buzzed back rapturously. They got on famously. He borrowed my subordinate time after time. Now he's offering him a job (better than the present one, financially) as assistant (one of two) sales-manager.

So there sits my internal auditor, his tall, thin figure taut with anxiety, waiting for my advice. He leaves me little choice. If he stays in the accounts department, promotion will be slow, as he's relatively junior in age; if he moves to sales, the field is wide open before him. An expert sales organizer influences turnover and gross profit; his bright new ideas in pricing or organization or systems pay off in enhanced revenue; furthermore, he will earn year-end bonuses in that section far higher than we in accounts can achieve. As the years go on his prospects will brighten even more rapidly. He's ambitious; he wants the quick success; the answer is obvious (in fact, though I wouldn't have admitted it years ago, the sales section is more valuable in many ways to the company than we are).

Well, we put all our cards on the table and agreed to let them lie where they fell. He's going with our best wishes and congratulations . . . the question is does his departure rank as a success or a failure for the Accounts department? And if he fails, will I take him back?



# Finance and Commerce

## Shillings and Pence

THIS week's reprint gives the accounts of H. F. Hartley Ltd, of Bingley, Yorks, and provides an opportunity, very rare these days, of showing a reprint which is correct to the last penny. It appears very noticeable in 'machinery, plant, equipment, motor vehicles, fixtures, fittings and office furniture (at cost) . . . £440,969 *os 1d*. Way back in the days when this column was young, 'Finance and Commerce' took a definite line on shillings and pence and was all in favour of their exclusion from published accounts.

Strong controversy raged. One school of thought maintained through the correspondence columns of this journal that figures approximated to £s could not be certified as correct by auditors. But the practical sense of approximation to £s was recognized, as also the grouped balance sheet - current assets, current liabilities and so on - which add meaning to the figures at first glance.

## Deduction

The reprint will also give readers the opportunity, if they care to take it, of solving a little problem in these figures that need not have arisen. Mr H. F. Hartley, the chairman, notes at the beginning of his statement that 'the group profits are £263,968'. And on the opposite side, the first item in the directors' report is: 'group profits for the year ended December 31st, 1963, as shown by the consolidated profit and loss account, including interest received from loans and deposits, etc., amounted to £263,968 *15s 6d*'. So far, so good!

And then by an odd chance, because life is too short to follow every figure through to its origin in accounts, it was noticed that there is no £263,968 *15s 6d* in the accounts. It seemed evidently an adjustment of £265,185 *15s 6d* and the adjustment itself was no great difficulty.

Those readers who may care to do it for themselves may find an element of accounting logic in it, but perhaps, on second thoughts, they may wonder why one figure was selected for the adjustment and not the one above it as well.

To those who live with a particular set of figures a little matter like this may not seem much but it is just as well to keep published accounts free from snags.

## Replacement Reserve

WITH the 1963 accounts, the directors of The British Rollmakers Corporation Ltd have decided that the replacement reserve shall stand at

£½ a million. Sir Evan Norton, the chairman, points out that for a number of years, amounts have been charged against profits by way of additional depreciation and transferred to this replacement reserve, which appears in the balance sheet under the capital reserves heading.

It also includes, he says, certain other items in the nature of surplus on sale of fixed assets and the tax saved by reason of investment allowances arising in earlier years.

The directors have now decided that in the light of the large capital expenditure programme being undertaken by the group on expansion and re-equipment and the full depreciation which will be charged thereon, the reserve should stand at the figure of £½ a million to which it is brought by the allocation of £35,500 in the present accounts.

It is not intended that further specific transfers be made to this reserve, but in future years the directors will have regard to the provision out of profits of such sums as may be required for the purposes of the business. Capital expenditure sanctioned at balance sheet date amounted to £2,234,000 in respect of which contracts involving £1,359,915 had been placed.

## Bank Turnover

ONE would hardly expect to find a bank giving figures for turnover. Yet there is a figure for gross turnover in the statement by Mr A. I. Doubonossov, chairman and managing director of the Moscow Narodny Bank Ltd with the accounts for 1963.

Moscow Narodny, 'The Bank for East-West Trade', was established in London in 1919. It has £4 million subscribed capital and shareholders' funds totalling £4,511,886. Current, deposit and other accounts, including tax provision, stand at £4,817,929. Its main liability is £158,299,438 to correspondents of the bank and the balance sheet adds up to £185,827,619. The main asset is £104,250,317 in advances to customers and other accounts; bills discounted amount to £36,357,158 and there is £28,324,904 in money at call and short notice.

Gross turnover is given by the chairman to indicate recent growth. It has gone up every year since 1958 from £1,400 million to £16,000 million in 1963. In the same period, total assets have risen from £8.6 million to £186 million, paid-up capital and reserves from £0.7 million to £4.5 million and profits after tax from £40,300 to £462,000.

But what really does the turnover of a bank consist of? What is being turned over? The British banking system provides a figure for bank clearings, the total amount involved in the clearing of customers' cheques, but it is not normally regarded as 'bank' turnover in the sense in which 'turnover' is usually used.

Would Moscow Narodny please explain?





## CITY NOTES

IN the Stock-market, good news is consistently being offset by discouraging items. The April trade figures were distinctly poor and were, in fact, poor enough to offset rekindled political hopes and also the continuing run of good company news. The product of irregular day-to-day movements, however, is for a gradual slide in values in Index terms and, with only a month or so of the dividend season left, the market may be running out of support from the profit and dividend direction.

What is more to the point, the support will run out at a time when the General Election will have to become the market's main consideration. Any further deterioration in trade conditions, as indicated in the monthly figures, may therefore have greater impact on the equity market as time goes on.

It follows that the tendency towards liquidity in front of the election may become more urgent. This summer is more likely to find operators inclined to get out of the equity market and stay out than it is to find buyers of a mind to take advantage of lower prices. A fall in *The Financial Times* equity index to around the 330 level could prove a conservative estimate of the summer setback.

\* \* \* \*

THE City was intrigued this week by suggestions that the Labour Party may be considering soft-peddalling steel re-nationalization to the extent of limiting that operation to only half the industry. Stranger things have happened but this would be strange indeed, even though there is a precedent in road transport when road haulage and passenger transport companies were nationalized only on a patchy basis.

Steel re-nationalization, however, is one of the few points on which the Labour Party has been firm in its pre-election pointers. Movements in the share

market this week, hardly suggested that investors have placed much credence in the report.

\* \* \* \*

THE Dunlop Rubber Company plans to spend some £60 million on expansion and modernization over the next three years. Sir Edward Beharrell commented at the Dunlop annual meeting that technological change is occurring rapidly and expenditure in recent years is now making a significant contribution to profits as well as to the improvement of the Dunlop product range and its public acceptance. The group, Sir Edward said, is currently better equipped than at any time in its history 'largely due to the continuing drive for greater productivity and efficiency'.

\* \* \* \*

HELPED by five block offers by existing trusts and two initial offers of new trusts the unit trust movement attracted net new investment of nearly £6.8 million in April, an increase of over £1 million both on the previous month and on April of last year.

The approximate number of unit holdings is put at 1,148,089, with the average holding at £346. At the end of April the value of unit trust funds was very nearly £397 million.

\* \* \* \*

THE intended Federation of Stock Exchanges is still a matter of continued deliberation. The second interim report of the special committee, issued last February, has apparently led to fresh thinking on a number of points. The persistence with which the London Stock Exchange insists that Federation does not mean that London is taking over 'The Country' tends to suggest that it is there that the trouble lies. Provincial Stock Exchanges are jealous of their local connections.

## RATES AND PRICES

Closing prices, Wednesday, May 27th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 <sup>3</sup> / <sub>16</sub>	Frankfurt	11.12 <sup>5</sup> / <sub>16</sub>
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 <sup>1</sup> / <sub>16</sub>	Milan	1749 <sup>1</sup> / <sub>16</sub>
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.11	Oslo	20.00 <sup>1</sup> / <sub>16</sub>
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.33 <sup>1</sup> / <sub>16</sub>	Paris	13.71 <sup>1</sup> / <sub>16</sub>
				Copenhagen	19.32 <sup>1</sup> / <sub>16</sub>	Zürich	12.08
Treasury Bills				Gilt edged			
March 20	£4 5s 11.94d%	April 24	£4 6s 0.47d%	Consols 4%	65 <sup>1</sup> / <sub>16</sub>	Funding 3% 59-69	90 <sup>1</sup> / <sub>16</sub>
March 26	£4 6s 0.41d%	May 1	£4 5s 11.91d%	Consols 2½%	41 <sup>1</sup> / <sub>16</sub>	Savings 3% 60-70	88
April 3	£4 6s 0.12d%	May 8	£4 5s 11.47d%	Conversion 6% 1972	105 <sup>2</sup> / <sub>16</sub>	Savings 3% 65-75	79 <sup>1</sup> / <sub>16</sub>
April 10	£4 6s 0.25d%	May 15	£4 7s 3.60d%	Conv'n 5½% 1974	98 <sup>1</sup> / <sub>16</sub>	Savings 2½% 64-67	93 <sup>1</sup> / <sub>16</sub>
April 17	£4 6s 0.41d%	May 22	£4 7s 8.75d%	Conversion 5% 1971	99 <sup>1</sup> / <sub>16</sub>	Treas'y 5½% 2008-12	91 <sup>1</sup> / <sub>16</sub>
				Conversion 3½% 1969	92 <sup>1</sup> / <sub>16</sub>	Treasury 5% 86-89	87 <sup>1</sup> / <sub>16</sub>
				Conversion 3½%	56 <sup>1</sup> / <sub>16</sub>	Treasury 3½% 77-80	76 <sup>1</sup> / <sub>16</sub>
				Funding 5½% 82-84	97 <sup>1</sup> / <sub>16</sub>	Treasury 3½% 79-81	76 <sup>1</sup> / <sub>16</sub>
				Funding 4% 60-90	93 <sup>1</sup> / <sub>16</sub>	Treasury 2½%	41 <sup>1</sup> / <sub>16</sub>
				Funding 3½% 99-04	65	Victory 4%	97 <sup>1</sup> / <sub>16</sub>
				Funding 3% 66-68	91 <sup>1</sup> / <sub>16</sub>	War Loan 3½%	56 <sup>1</sup> / <sub>16</sub>
Money Rates							
Day to day	3½-4½%	Bank Bills					
7 days	3½-4½%	2 months	4 <sup>1</sup> / <sub>16</sub> -4 <sup>5</sup> / <sub>16</sub> %				
Fine Trade Bills		3 months	4 <sup>1</sup> / <sub>16</sub> -4 <sup>5</sup> / <sub>16</sub> %				
3 months	5½-6½%	4 months	4 <sup>1</sup> / <sub>16</sub> -4 <sup>5</sup> / <sub>16</sub> %				
4 months	5½-6½%	6 months	4 <sup>1</sup> / <sub>16</sub> -4 <sup>5</sup> / <sub>16</sub> %				
6 months	6-7%						

# Current Law

## Undischarged Bankrupt: Obtaining of Credit

IN *Fisher v. Raven: Raven v. Fisher* ([1963] 2 All E.R. 389) the House of Lords considered appeals from the Court of Criminal Appeal brought on the one hand by the accused and on the other hand by the prosecutor, the Court having certified that points of law of general public importance were involved, namely, whether the receipt of money on a promise to render services or deliver goods in the future was an obtaining of credit within section 13 (1) of the Debtors Act, 1869, and whether such receipt on such a promise was an obtaining of credit within section 155 (a) of the Bankruptcy Act, 1914.

The Court of Criminal Appeal, had upheld convictions under the former provision, but had quashed convictions under the latter. The accused, who was an undischarged bankrupt, had contracted to make paintings from photographs. He had in each case obtained part of the agreed price in advance, but failed either to carry out the work or to return the money paid. The Crown's argument was that credit was obtained within the meaning of both enactments when two persons entered into reciprocal obligations for the payment of money or money's worth and one party performed his obligations or part of them in anticipation of performance by the other. Where money was paid by one party in reliance on the promise of the other to do work or supply goods, then it was said that credit was obtained for the value of the work or goods promised, and that the value of the work or goods was to be assumed to be equal in value to the amount of money paid. The accused, on the other hand, contended that the provisions of the statutes meant, and only meant, the obtaining of credit in respect of the payment of money.

Lord Dilhorne, L.C., with whose speech the other noble and learned lords agreed, found that the words used in section 13 (1) of the Debtors Act and section 155 (a) of the Bankruptcy Act had the same meaning and connoted the obtaining of credit in respect of the payment of money and no more. It followed that the accused's appeal succeeded and that the prosecutor's appeal was dismissed.

## Winding-up: Disposition of Property

A COMPANY held a shop under a lease, the terms of which allowed the landlords to forfeit it if the company was put into compulsory liquidation. The landlords obtained judgment for arrears of rent and mesne profits, but in the meantime the company had received an offer of £3,000 for the lease, and, with a view to the company continuing in negotiation with the prospective purchaser and making application to the landlords for a licence to assign, the landlords

agreed to hold their hands under the judgment. The company came to terms with the prospective purchaser for the sale to him of the lease for £3,000, and then, in *Re A. I. Levy (Holdings) Ltd* ([1963] 2 All E.R. 556) applied to Buckley, J., for an order under section 227 of the Companies Act, 1948, which provides that:

'In a winding-up by the Court, any disposition of the property of the company, including things in action, and any transfer of shares, or alteration in the status of the members of the company, made after the commencement of the winding-up, shall, unless the Court otherwise orders, be void.'

Buckley, J., was satisfied on the evidence that the proposed price was the proper one, and said that it was clear that if the sale did not go through, and the company was put into liquidation, the asset constituted by the lease would become valueless, but the question was whether it was possible to make an order under section 227 when a winding-up order had not yet been made. On this question there was some conflict of authority, but his lordship came to the conclusion that it was open to him to make the Order sought, saying that it did not appear to him that the language of section 227 necessarily required that an order under it should be made only in respect of a company which was already being wound up by the Court at the date when the order was made. Accordingly his lordship was able to make an order to enable the company to sell its lease without any fear of the purchaser later finding the transaction avoided.

## Mormon Temple not Exempt from Rates

IN *Church of Jesus Christ of Latter-Day Saints v. Henning* ([1963] 2 All E.R. 733) the House of Lords dismissed an appeal from the Court of Appeal (reported *sub. nom. Henning v. Church of Jesus Christ of Latter-Day Saints* ([1962] 3 All E.R. 364) and already noted in these columns) which had decided that a Mormon temple was not exempt from rates under section 7 (2) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955. The question at issue was the public character of the temple. It was in evidence that there is a difference in the Mormon Church between chapels, which are open for public worship, and temples, which are built for the performance of sacred ordinances and are open only to those Mormons in good standing recommended by a local bishop and a president as being suitable for admission to the sacred observances and rites which take place therein. For relief to be available under section 7 (2) a building must be a place of public religious worship.

The *ratio decidendi* of the House of Lords is to be found in the speech of Lord Pearce who said ([1963] 2 All E.R. 741) that he found it impossible to hold that the words 'places of public religious worship' in section 7 (2) included places which, though from the worshippers' point of view they were public as opposed to domestic, yet in the more ordinary sense were not public since the public were excluded.

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed*

## I.C.W.A.'s Former Examination in Management Accountancy

SIR, — In your issue of May 16th, on page 640, you report a speaker at the recent Special Meeting of The Institute of Chartered Accountants in England and Wales as suggesting that the Fellowship examination of The Institute of Cost and Works Accountants 'did not prove attractive' and that 'fewer and fewer people' entered.

These suggestions are rather wide of the truth. The Institute's Fellowship Examination in Management Accountancy was held once a year over the decade 1953–1963. In the earlier years, the numbers of candidates were admittedly not large but the examination increased steadily in popularity until in 1963 there was a total of 586 candidates sitting. Over the ten years of the examination's existence, 1,824 candidates sat — a not inconsiderable number for a specialized, post-graduate examination.

The examination in Management Accountancy was discontinued not because of a shortage of candidates but as part of a complete reconstruction of the Institute's examinations. The former Intermediate, Final and Management Accountancy examinations were held for the last time in 1963, and were replaced by a new five-part examination which comes into operation this June.

The number of members (Fellows and Associates), registered students and examination candidates of this Institute continues steadily to increase and it would be unfortunate if your readers were to form a contrary impression from reported remarks which seem to have been made without a knowledge of the facts.

Yours faithfully,  
F. W. H. SAUNDERS,  
*Acting Secretary,*  
THE INSTITUTE OF COST  
AND WORKS ACCOUNTANTS.

London W1.

## Institute's Summer Courses

SIR, — In your leading article of April 25th, you expressed surprise at the relatively small number of members not in practice who attend the Institute's Summer Course. Although I am now posted overseas, I had the opportunity of attending these courses during some eight years in the United Kingdom but, in fact, never did so. Perhaps my own reasons for this may give some clue to the disproportion you noted.

All three subjects of the course are usually of specific interest to members in practice or members employed in the profession. As an example, even the subjects specifically aimed at the member not

in practice in the two courses mentioned in the Institute's report for 1963, i.e. 'Control of stock', 'The group accountant', and 'Increased productivity — the role of finance', are all of equal absorbing interest to the member in practice who has to give advice to companies on these subjects and at times participate in them.

However, items specifically designed for the member in practice are really of very little interest to the member in commerce or industry. 'Financing an accountant's practice' and 'Back duty — culpability, penalties and settlements may be of academic interest to the member in commerce or industry but nothing more. One-third of the course, therefore, is automatically of no interest, which makes a justification in terms of time away from one's business or time spared out of a holiday rather more difficult, whether personally or to a sponsoring company.

Perhaps the real answer is to follow the example of the Liverpool Society's Annual Course organized jointly with the Merseyside Productivity Council. The subjects chosen are primarily based on commerce and industry and are naturally of interest to practising and non-practising members alike. This could also be supplemented by a separate course purely for practising members on the mechanics of operating a practice catering for the particular specialities of members in practice, especially the small practitioner.

Yours faithfully,  
M. J. HOWARD, F.C.A., F.C.W.A.

Bombay.

## Incomes Policy — Mirage or Reality?

SIR, — In regard to Mr Hayes's most interesting article in your issue of May 16th there is one point in connection with his reference to an average annual surplus of £100 million on Britain's current account since 1952 that ought to give rise to serious concern.

If the index for 1954 should be taken as being equal to 100, then the changes in import and export prices may be shown as follows:

				Import Prices	Export Prices
1952	..	..	..	110	105
1962	..	..	..	96	113

In 1952 there was a surplus of £145 million on current account which had fallen to £67 million in 1962. Yet in the meantime there had been a significant fall in import prices and also an important rise in export prices. The combined effect was that in 1962 we were over £1,000 million better off than we would have been if prices had remained at 1951 levels.

The fortuitous benefit arising from the improvement in our terms of trade cannot be counted on to endure. Indeed, our present deficit on current account is partly due to the recent modest recovery in import prices. I therefore venture to suggest that an incomes policy may well prove to be of considerable importance if we are to solve our economic problems.

Yours faithfully,  
F.C.A.

# Training for the Profession

## Conference of the Joint Standing Committee of the Universities and the Accountancy Profession

Whatever the merits and shortcomings of the Robbins Report on Higher Education, it has certainly succeeded in crystallizing public opinion on the subject of education. Furthermore, it has made crystal clear the fact that a rising number and increasing proportion of future generations of boys and girls will enter institutes of higher education. This has obvious implications for the professions and other occupations which in the past have traditionally recruited from the schools—particularly the able sixth-former from the grammar and public schools. It is these latter who are the most likely, now and in the future, to continue their education to the point of graduation.

There is ample evidence that the implications of this trend are being recognized both in the professions and elsewhere, for example, in the banks. Nevertheless the accountancy profession, in the opinion of some observers, has not as yet fully adjusted its thinking to the new development. Critics have drawn attention to the fact that whereas 60 per cent of the entrants into The Law Society are university graduates, the proportion of graduate articled clerks to members of The Institute of Chartered Accountants in England and Wales is less than 10 per cent. This figure, furthermore, has remained more or less constant for the past thirty years and does not reflect, as it should, the rising number of graduates in the community.

Various reasons have been adduced for this state of affairs, some of which were aired recently at a conference, held at the University of Nottingham, arranged by the Joint Standing Committee of the Universities and the Accountancy Profession (previously referred to in *The Accountant* of April 25th). The occasion for this particular meeting was to invite the representatives from the newer universities, as well as those already represented on this committee, to meet members of the profession to consider the future role that the universities might play in the training of accountants.

### The 'Special' Degree Courses

From the views exchanged it was evident that many graduates find the period of articles extremely boring and, as one university don put it, a correspondence course could be most unsatisfactory to an inquiring mind and spirit. At the same time, apart from the larger firms in the profession, there appears to be some reluctance on the part of members to accept graduates as articled clerks. A measure of success has undoubtedly attended the institution of the 'special' degree courses whereby graduates taking accountancy and related subjects in their degrees enjoy certain concessions in respect of their terms of articles and examination. Nevertheless, only about one-half of the graduates who enter into articles each year have apparently taken special degree courses.

Whether or not the profession stands to gain or lose

in the near future by failing to attract a higher proportion of graduates is debatable. There is no question, however, as many members would point out, that the standing of the profession and its qualifications as a method of entry into the higher echelons of industry and commerce are currently very high. A substantial majority of newly-qualified accountants go into industry rather than public practice, and while there are some who argue that the present examination syllabus is biased unduly towards the needs of public practice, there can be no gainsaying its value in training the future executive.

There seems a clear case for considering whether or not more teaching and training of accountants could be undertaken in the universities. There are a number of problems; the most important of which is a lack of teachers. The relative rewards for the outstanding member of the profession with a capacity for research were not such as to attract him to teaching. On the other hand, teaching staff without practical experience in various aspects of accounting would be less effective. A suggestion that the profession and universities should consider the value of a formula for a subject-by-subject exemption from the Intermediate examination was taken up by a member of the Institute, who pointed out that past experience indicated that it was not necessarily a kindness to grant exemption from the Intermediate. The record of success at the Final examination by graduates who had taken the Intermediate examination was superior to that of those who had been granted exemption.

### The R.I.B.A. Training Scheme

One of the sessions at the conference was devoted to a discussion of the steps taken by the professional architects to bring their training methods in line with present requirements. In the past, as with the accountancy profession, the system of pupils or articled clerks had been regarded as the standard method but more recently this system had fallen into disfavour. Among architects the tide was now running fully towards full-time education; although it was quite clear that such a proposal would not enjoy widespread support within the accountancy profession at the present time.

The Royal Institute of British Architects has, since 1959, introduced a minimum entrance requirement of two G.C.E. passes at the advanced level and, to an increasing extent, has recognized that the future of education lies with the universities. While there had been criticism of the change in minimum educational requirements, it seems that the outcome had fully justified the decision both in terms of quality and quantity of students. There was a far greater interest in the subject on the part of headmasters and sixth-formers, and membership of the Royal Institute of British Architects had greatly increased. Of approxi-

mately seven thousand students registered in 1964, 4,000 were in full-time education either in the universities or in schools of architecture.

The lessons to be drawn from this session are clear. It is idle to pretend that the experience of the architects with new methods of training is completely irrelevant to the needs of the accountancy profession. In both professions a high level of practical expertise is required, in addition to sound theoretical foundations. There are already signs within the accounting profession of divergent views on this issue.

### Business Schools

In the session devoted to business schools, the view was expressed that the necessity for such schools had been rather tardily recognized in the United Kingdom. They were expensive ventures and it was probable that only a few hundred students would pass through each year. Another speaker suggested that the profession should consider whether or not there was a case for the establishment of a centre for specialist studies, notably in management accounting. This might well be a separate institution rather than being grafted on to a business school.

One of the problems in the new business schools would be the need, stressed in the Franks Report, to obtain people with practical experience as teachers. What prospects were there that the accountancy profession could encourage some of its senior members to co-operate in the work of these schools?

Academic speakers were not entirely happy about the current attitude of industry towards existing management courses in the universities, which were the nearest approach to the business school. Nevertheless, another don pointed out that it was not the task of universities to produce good managers, but to

assist management in thinking about business problems. Academic speakers generally felt, however, that the universities had a role to play in business studies at both the undergraduate and post-graduate level, although one of their number expressed the view that there was little scope for business training at the undergraduate level.

Most of the representatives of the universities who had not yet established departments for the teaching of accountancy expressed interest in the subject, and agreed that there was a place for it in the university curriculum. The main problem of the new universities at the moment was financial. Given their existing resources it was unlikely that, unless additional funds were forthcoming, these new colleges could make an early significant contribution in the field of business or accountancy training.

It is evident, not least from the correspondence columns of professional journals, that many members of the profession have not adjusted their attitudes to the changes which are currently taking place in the educational sphere. One of the most interesting points made was that it was not so much the low salaries which repelled graduates from entering into articles, but rather the nature of much of the work and the 'public image' of the profession.

If there is any conclusion to be drawn from the views exchanged at the conference and recent published correspondence, it is that, although the profession at present is undoubtedly on the crest of a wave, its members would be unwise to assume that the present situation will persist for ever. It is much easier to introduce fundamental changes at a time when the profession's prestige is at its peak, rather than when there are signs that it is in danger of being superseded by other institutions.



Presentation of a silver salver to Dr J. M. Whittaker, M.A., D.Sc., F.R.S. (standing centre) on behalf of the accountancy bodies on the occasion of his retirement as chairman of the Joint Standing Committee of the Universities and the Accountancy Profession. The presentation was made by Mr Bertram Nelson, C.B.E., F.C.A. (standing left) and Mr V. J. Oxley, B.Sc.(ECON.), F.A.C.C.A. (standing). Also in the photograph, seated (left to right) are Mr B. L. Hallward, M.A., Vice-Chancellor of the University of Nottingham, and Mr C. F. Carter, M.A., Vice-Chancellor of the University of Lancaster, the new chairman of the Joint Standing Committee.

# New Legislation

*All new Acts will be noted in this column, together with those Statutory Instruments which are of interest to the profession. The date given indicates when an Act received the Royal Assent.*

## STATUTES

### Chapter 13: International Development Association Act, 1964

An Act to enable effect to be given to a resolution of the board of governors of the International Development Association.

*Price 3d net.*

*March 12th, 1964.*

### Chapter 14: Plant Varieties and Seeds Act, 1964

An Act to provide for the granting of proprietary rights to persons who breed or discover plant varieties and for the issue of compulsory licences in respect thereof; to establish a tribunal to hear appeals and other proceedings relating to the rights, and to exclude certain agreements relating to the rights from Part I of the Restrictive Trade Practices Act, 1956; to confer power to regulate, and to amend in other respects the law relating to, transactions in seeds and seed potatoes, including provision for the testing of seeds and seed potatoes, the establishment of an index of names of varieties and the imposition of restrictions as respects the introduction of new varieties; to control the import of seeds and seed potatoes; to authorize measures to prevent injurious cross-pollination; and for connected purposes.

*Price 3s 6d.*

*March 12th, 1964.*

### Chapter 15: Defence (Transfer of Functions) Act, 1964

An Act to facilitate the making of new arrangements for the central organization of defence, and to provide for matters consequential thereon.

*Price 8d net.*

*March 12th, 1964.*

### Chapter 16: Industrial Training Act, 1964

An Act to make further provision for industrial and commercial training; to raise the limit on contributions out of the National Insurance Fund towards the expenses of the Minister of Labour in providing training courses; and for purposes connected with those matters.

*Price 1s 3d net.*

*March 12th, 1964.*

### Chapter 17: Consolidated Fund (No. 2) Act, 1964

An Act to apply certain sums out of the Consolidated Fund to the service of the years ending on March 31st, 1963, 1964 and 1965.

*Price 3d net.*

*March 25th, 1964.*

### Chapter 18: Rating (Interim Relief) Act, 1964

An Act to make provision with respect to England and Wales for grants to rating authorities by reference to the proportion of elderly persons in the population of their areas and for the mitigation of hardship to residential occupiers attributable to the increase in the level of rates; and for connected purposes.

*Price 1s net.*

*March 25th, 1964.*

### Chapter 19: Married Women's Property Act, 1964

An Act to amend the law relating to rights of property as between husband and wife.

*Price 3d net.*

*March 25th, 1964.*

### Chapter 20: Uganda Act, 1964

An Act to make provision as to the operation of the law in relation to Uganda as a Commonwealth Country not within Her Majesty's dominions.

*Price 5d net.*

*March 25th, 1964.*

### Chapter 21: Television Act, 1964

An Act to consolidate the Television Acts, 1954 and 1963.

*Price 2s 6d net.*

*March 25th, 1964.*

### Chapter 22: British Nationality Act, 1964

An Act to facilitate the resumption or renunciation of citizenship of the United Kingdom and Colonies.

*Price 5d net.*

*March 25th, 1964.*

### Chapter 23: Fireworks Act, 1964

An Act to exempt fireworks consigned for export from the requirements of the Fireworks Act, 1951, as to marking.

*Price 3d net.*

*March 25th, 1964.*

### Chapter 24: Trade Union (Amalgamations etc.) Act, 1964

An Act to amend the law relating to the amalgamation of trade unions, the transfer of engagements from one trade union to another, and the alteration of the name of a trade union.

*Price 1s 3d net.*

*March 25th, 1964.*

### Chapter 25: War Damage Act, 1964

An Act to make provision for expediting the completion of payments under the War Damage Act, 1943, the War Damage (Public Utility Undertakings etc.) Act, 1949 and the War Damage (Clearance Payments) Act, 1960; to dissolve the War Damage Commission and transfer to the Commissioners of Inland Revenue, or, in the case of payments under section 71 of the said Act of 1943, to the Minister of Transport or the Secretary of State, the functions of the War Damage Commission and any functions which remain to be performed under those Acts by the Board of Trade; and for purposes connected with the matters aforesaid.

*Price 1s net.*

*March 25th, 1964.*

### Chapter 26: Licensing Act, 1964

An Act to consolidate certain enactments relating to the sale and supply of intoxicating liquor in England and Wales and to matters connected therewith; with corrections and improvements made under the Consolidation of Enactments (Procedure) Act, 1949.

*Price 10s net.*

*March 25th, 1964.*

# Notes and Notices

## PROFESSIONAL NOTICES

The formation of a firm by the name of ANNAN, IMPEY, MORRISH & PARTNERS, of 221 Amcor House, 88 Marshall Street, Johannesburg, South Africa, is announced. The partners in the firm are Messrs H. W. P. WHITELEY and S. D. LOW, of WHITELEY BROTHERS, Chartered Accountants (S.A.), and Messrs J. W. HILLS and C. H. BROWN, of ANNAN, IMPEY, MORRISH & CO.

Mr R. E. CLARKE, F.A.C.C.A., A.C.I.S., A.T.I.I., announces that his address is now Phoenix Chambers, 17 King Street, Hereford.

MESSRS COOPER BROTHERS & Co and COOPERS & LYBRAND announce that they have taken into partnership in Tehran, Iran, Mr ANTHONY RICHARD WYNNIATT EVE, A.C.A.

MESSRS DAWES NICHOLAS & Co, Certified Accountants, of West India House, 96/98 Leadenhall Street, London EC3, announce that Mr ALFRED CHARLES JACKSON, A.A.C.C.A., A.T.I.I., has been admitted into partnership with effect from May 1st, 1964.

MESSRS DAVID LINCOLN & Co, Certified Accountants, of Prudential Buildings, St Andrews Street, Cambridge, announce that as from May 1st, 1964, Mr ALAN FRYETT, A.A.C.C.A., has been taken into partnership. The new firm will practise under the name of DAVID LINCOLN, FRYETT & Co, and will shortly open a branch office at 2A Chequers Court, Huntingdon.

Mr A. E. HALL, F.A.C.C.A., A.T.I.I., announces that he has retired from business as from April 6th, 1964, and his partnership with Mr A. R. MONTGOMERY, A.A.C.C.A., has been mutually dissolved as at that date. Mr MONTGOMERY will carry on the practice as sole partner and will retain the firm name, HALL & Co.

MESSRS H. HUNT & Co, Chartered Accountants, of 52 Frederick Road, Five Ways, Birmingham 15, announce that Mr RICHARD BURMAN, F.C.A., Mr I. C. W. BOND, A.C.A., and Mr C. J. MAY, A.C.A., have been taken into partnership. The style of the firm remains unchanged.

Mr C. D. LOWE, F.A.C.C.A., A.T.I.I., of 8 New Street, Burton-on-Trent, announces that he has admitted into partnership Mr J. CLARKE, A.C.A., with effect from April 6th, 1964. They will practise under the style of C. D. LOWE & J. CLARKE.

MESSRS ROYCE, PEELING, GREEN & Co, Chartered Accountants, of Manchester, and Mr HAROLD DRINKWATER, F.C.A., of Manchester, announce that they have amalgamated their practices from May 1st, 1964, and that the joint practice will thenceforward be carried on under the style of ROYCE, PEELING, GREEN &

Co, at 18 Lloyd Street, Manchester 2. On the same date Mr C. R. BROWN, A.C.A., Mr J. E. HALL, A.C.A., and Mr J. A. STOTT, A.C.A., all of whom have been members of the staff of ROYCE, PEELING, GREEN & Co for several years, were admitted into the partnership.

Mr FRANK WHEATCROFT, F.A.C.C.A., announces that his address is now 14 Ridgefield, John Dalton Street, Manchester 2. The telephone number is unchanged.

## Appointments

Mr Frank Bradley, F.A.C.C.A., has been appointed deputy chairman of J. B. & S. Lees Ltd.

Mr T. W. Cooper, A.A.C.C.A., has been appointed financial controller and secretary of Fletcher, Brook & Collis Ltd

Mr R. W. Fordham, A.A.C.C.A., has been appointed managing director of British Silverware Ltd.

Mr K. G. Hooper, F.C.A., a manager of Union Corporation, has been appointed a director of Unicorpora Industries Ltd.

Mr T. O. W. Newman, F.A.C.C.A., a director of Holland & Hannan & Cubitts Ltd, has been appointed comptroller of the group.

Mr D. H. Perry, A.A.C.C.A., has been appointed financial director of Birmid Industries Ltd.

Mr R. F. Wilson, A.A.C.C.A., has been appointed a director of Drug Holdings Ltd and its three subsidiary companies, Holdsworths (Chemists) Ltd, Northern Drug Co Ltd and Holdsworth & Co (Property) Ltd.

## SIR BASIL SMALLPEICE TO BE PALACE ADVISER

Sir Basil Smallpeice, K.C.V.O., B.COM., F.C.A., a former member of the Council of The Institute of Chartered Accountants in England and Wales and managing director of B.O.A.C. from 1956 until last year, has been appointed the first Administrative Adviser to the Queen's Household. The appointment, which will be on a part-time basis, will take effect in the autumn for a period of two years.

## THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

### List of Members

The *Membership and Constitution, 1964*, of The Institute of Municipal Treasurers and Accountants, now published, shows that membership at January 1st, 1964, numbered 5,842 together with 271 honorary members and fellows. Comparative figures for January

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1962 were 5,548 and 280 respectively. The total membership comprises 969 fellows, 2,844 associates, and 2,029 students.

Topographical and alphabetical lists of members and students are contained in the publication, together with the names of members of the council, information about the Institute's branches and students' sections, an index to public authorities and the Institute's Charter and bye-laws.

### TWENTY-FIRST ANNIVERSARY CONFERENCE

A two-day conference to mark the twenty-first anniversary of the founding of Robson, Morrow & Co, was held at the Clifton-Ford Hotel, London, from May 8th to 9th, and was attended by partners and staff of the firm and associated firms in the United Kingdom, Ireland and South Africa.

Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of The Institute of Chartered Accountants in England and Wales, was the guest at a luncheon on Friday, May 8th. Mr L. W. Robson, F.C.A., senior partner in the firm and a member of the Council of the Institute, in his address of welcome said that two former Presidents of the Institute had served their articles with Mr Winter's firm (Winter, Robinson, Sisson & Benson), and Mr Winter had managed to complete the 'hat trick' by becoming the third President to have been trained by the firm.

In his reply, Mr Winter said that Mr Robson's contribution to the profession had been a vital one as he was the pioneer of management accounting during the early years of the Second World War when it was essential to obtain the maximum production from industry. There were, he went on, very few people in the room who would remember the Institute in the years of the First World War and between the wars,

when it was mainly an examining and disciplinary body. Since then vast changes had come about as a result of the creation of the Institute's Taxation and Research Committee during the war years and its wide-ranging work and activities which had now been assumed by the reconstituted Technical Advisory Committee. In conclusion Mr Winter proposed a toast to Mr Robson.

Mr D. D. Rae Smith, M.C., B.A., F.C.A., in proposing a vote of thanks to Mr Winter, referred to the respect and regard in which he was held by all who knew him.

### ACCOUNTANTS VISIT FAWLEY REFINERY

A group of accountants comprising officers of the professional institutes, executives from industry and commerce and lecturers from universities recently visited the Fawley Refinery, near Southampton. After a preliminary talk outlining briefly the processes involved, the party was conducted on a tour to see the refinery in operation. One of the objectives of the visit was to provide an opportunity for discussion of mutual problems between accountants from various fields of activity.

The visit was sponsored by Mr B. E. Friend, F.C.A., Comptroller, Esso Petroleum Company Limited.

### THE INSTITUTE OF BANKERS

At the eighty-sixth annual general meeting of The Institute of Bankers held on May 20th, Mr D. A. Stirling, chairman of Westminster Bank Ltd, was elected President of the Institute for the ensuing year in succession to Sir Edward J. Reid, a director of Baring Brothers & Co Ltd, who has been President since May 1962.

The Council's report for 1963-64, which was presented at the meeting, records that at December 31st,



At Robson and Morrow's conference luncheon (left to right): Messrs J. Daykin, F.C.A.; Kevin Briscoe, F.C.A.; D. D. Rae Smith, M.C., B.A., F.C.A.; R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of The Institute of Chartered Accountants in England and Wales; L. W. Robson, F.C.A., F.C.W.A.; A. H. Mann, C.A.; S. Edgcumbe, J.P., F.C.A.; F. C. de Paula, T.D., F.C.A.; J. L. Scott Veitch, C.A., A.C.W.A. and F. T. Hunter, F.C.A.

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1962, membership reached the record level of 58,119. This was an increase of 2,615 over the previous year: in the past five years membership of the Institute has increased by about one-third and examination entries, at over thirty-six thousand in 1963, have more than doubled.

The report states that eighty-six local centres of the Institute arranged for senior members over six hundred meetings during the year – lectures, seminars, discussions, debates, industrial visits, as well as many major public dinners and other social activities.

### COURSES FOR MANAGEMENT

'Analysing company accounts and yields', and 'Top data for top men', are the titles of two one-day courses due to take place in London on June 16th and 17th respectively. Presented in both instances by Dr James M. S. Risk, B.COM., PH.D., C.A., F.C.I.S., F.C.W.A., F.B.I.M., the former is appropriate for all levels of top management and no appreciable knowledge of accounting or financial matters is required. The course will cover certain essential data of measurements of efficiency, such as return on net assets, net profit to sales, sales generation, credit control, cash flow and research and development.

The second course deals with the vital information to be obtained from a systematic analysis and arrangement of figures shown in companies' audited balance sheets and accounts, which should form the basic framework of company control. Subjects will include 'Return on investment', 'Use of finance', 'Investors' yardsticks', and 'Capital employed'. Comprehensive notes will be issued with each course and further particulars are obtainable from Management Courses Ltd, Albany Courtyard, Piccadilly, London W1.

### THE ACCOUNTANTS' CHRISTIAN FELLOWSHIP

The monthly meeting for Bible reading and prayer will be held at 1 p.m. on Monday June 1st, in the vestry at St Mary Woolnoth Church, King William Street, London EC3. The scripture for reading and thought will be 1 Peter, Chapter 2, verses 1 to 3.

### LEARNING ABOUT THE 'CITY'

The British Council is at present holding its eleventh annual course on the institutions and operations of the City of London for fifty-eight senior banking, insurance and shipping officials from nineteen countries.

Lord Ritchie of Dundee, Chairman of the London Stock Exchange, is chairman of an advisory committee representing City institutions which have co-operated with the Council in arranging the course. Mr John E. Wadsworth, economic adviser to the Midland Bank, is the director of studies.

The course, which commenced last Sunday and ends on June 5th, includes lectures on the domestic and foreign operations of the Bank of England, the clearing banks, discount market, foreign exchange and the role of insurance companies as underwriters and investors. In addition, the programme includes visits to a number of City institutions – the Bank of England, the Stock Exchange and the underwriting room at Lloyd's.

### REVENUE PAPER

#### Trinity Sittings, 1964

The following cases are down for hearing during the Trinity term:

#### HOUSE OF LORDS

de Vigier v. C.I.R.  
Brown v. C.I.R.  
C.I.R. v. F.S. Securities Ltd (awaiting judgment).

#### COURT OF APPEAL

Varty v. The British South Africa Company.  
William Cory & Son Ltd v. C.I.R.  
Jarrold v. Boustead.  
McInnes v. Simms.  
McInnes v. Large.  
Morgan v. Perry.  
Laidler v. Perry.  
Duckering v. Gollan.  
Strick v. Regent Oil Co Ltd.  
C.I.R. v. Regent Oil Co Ltd.  
Chancery Lane Safe Deposit & Offices Co Ltd v. C.I.R.  
B. W. Nobes & Co Ltd v. C.I.R.  
Soul v. C.I.R.

#### HIGH COURT (Chancery Division)

Barentz v. Whiting.  
Pegg and Pegg (Executors of H. G. Pegg, deceased) v. C.I.R.  
C.I.R. v. G. G. Parker.  
C.I.R. v. M. E. Parker.  
C.I.R. v. Tomlinson.  
C.I.R. v. H. A. Parker.  
E. Horowitz Ltd v. Jones.  
E. Horowitz Ltd v. C.I.R.  
McVeigh v. Scudamore.  
Jackson v. C.I.R.  
Hopwood v. C. N. Spencer Ltd.  
Central and District Properties Ltd v. C.I.R.  
C.I.R. v. H.  
E. Gomme Ltd v. C.I.R.  
C.I.R. v. Coathew Investments Ltd.  
White v. Franklin.  
John Mills Productions Ltd (in liquidation) v. Mathias.  
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# THE ACCOUNTANT

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## Our 1964 Awards

ONE of the less obvious features of an affluent society is that patterns of share ownership change rapidly. The number of persons interested in stocks and shares, either directly or indirectly as unit trust holders or through investment clubs, is increasing almost every day. These new shareholders need help in understanding documents issued by companies, and it is the responsibility of those concerned with the preparation of annual reports to produce informative accounts clearly set out.

In presenting *The Accountant* Annual Awards for 1964, last Tuesday, the Chairman of the Council of the London Stock Exchange, Lord RITCHIE OF DUNDEE, referred to the great progress that had been made in recent years in the presentation of companies' accounts. Very many companies had initiated and adopted a new attitude towards the presentation of accounts and a more sympathetic understanding of the needs of shareholders.

A great deal of the credit for inspiring this new look in company accounts belongs to the Panel of Judges of the Annual Awards who have devoted themselves to this end over the past eleven years. There is still room for further improvement, however, and this year, for the first time, the Panel have drawn attention to some of the points which came to their notice in the accounts under review - which they describe as weaknesses - including lack of information on the nature of the business; omission of the names and spheres of operations of the principal subsidiaries; failure to give a clear indication of the basis on which the assets are shown in the accounts and in particular the basis of valuation of the stock-in-trade, and absence of any statistical summary covering not less than the previous five years.

In the light of these comments, it is no small distinction for the winners of this year's Awards, namely, Reckitt & Colman Holdings Ltd and Pasolds Ltd, to be selected out of some one thousand two hundred entries. Mr J. B. UPTON, M.B.E., Chairman of Reckitt & Colman Holdings Ltd, in accepting the Award on behalf of his company, said that they had tried conscientiously to improve the presentation of their accounts bearing in mind the needs of the differing types of shareholder and it is interesting to note that the same information is also circulated to the company's employees numbering over ten thousand. Perhaps this is the key to raising the standard of annual reports for the 'man-in-the-street' shareholder.

Many sympathetic references were made to the memory of Mr KENNETH MACKINNON, M.B.E., T.D., Q.C., who presided over the Panel as chairman for five years and had completed the work

of the Panel for this year's Awards only a week prior to his death. No better tribute to his devotion and keenness for this work could be given than that the Panel will continue to strive for the improvement of accounts under the guidance of their new chairman, Mr ROY BORNEMAN, Q.C.

## FINANCE BILL

### Plant Hiring – III

LAST week we concluded our examination of clause 16 of the Bill, which is the general clause to combat avoidance through the leasing of plant and machinery and similar assets. It operates in general by imposing tax on capital sums received, but within the limit of payments in respect of which some relief has been allowed, either by way of deduction in arriving at profits, or in some other way. Clause 17 deals with a special kind of case and operates not by imposing tax on anything, but by restricting the deduction which can be made in computing profits of a trade, profession or vocation, i.e. it operates by increasing a Case I or Case II assessment under Schedule D. Since it modifies the provisions for computing profits for Case I purposes, it automatically applies also for profits tax purposes. However, the clause does not make clear how one is to deal with a profits tax accounting period which bestrides April 6th, 1964.

What clause 17 has in mind are business assets (other than land) which in the beginning are owned by a trader or professional person and used in his business, and which he sells but takes back on lease for further use in the business or some associated business. The proceeds of sale are capital, the lease payments are (or so the draftsman of the clause thinks) all deductible as being incurred wholly and exclusively for business purposes. Given that the purchaser cum lessor is dealing in assets of that kind, he can set off the cost of the asset against the receipts under the lease.

For clause 17 purposes 'asset', 'lease' and 'associated' have the same meanings as in clause 16 (clause 17 (10)), while 'trade' includes professions and vocations (clause 17 (9)). As in the case of clause 16, the clause has no application to 'payments made under a lease created on or before April 14th, 1964'.

Clause 17 applies to

'payments:

- (a) which are [*sic*] allowable by way of deductions in computing the profits or gains or losses of a trade, and
- (b) which are made under a lease of an asset which at any time before the creation of the lease was used for the purposes:
  - (i) of that trade, or
  - (ii) of another trade carried on by the person who at that time or later was carrying on the first-mentioned trade, or by a person who at that time was associated with the person who at that time or later was carrying on the first-mentioned trade,

and, when so used, was owned by the person carrying on the trade in which it was being used.' (Clause 17 (1)).

Clause 17 (1) also says that clause 16 shall *not* apply to payments falling within the above definition. However, it will be recalled that clause 16 imposes tax on persons receiving capital sums (not making payments). The payments only come into it as limiting the *quantum* of the capital sum which may be so assessed. It is therefore arguable that clause 16 would still apply to capital sums within that clause, even though the relevant payments fell within the above definition.

Another curious aspect of clause 17 (1) is that it is expressly limited to payments which 'are allowable'. The whole object of clause 17 is to cut down the payments which are allowable, so that clause 17 goes round in a circle. What the draftsman presumably meant to say was that clause 17 applied to payments 'which are, or but for this section would be, allowable'.

Clause 17 (2) directs what is to happen to these payments. The deduction allowable in computing profits for the purposes of income tax in respect of any such payment is not to exceed the commercial rent of the asset for the period for which the payment was made.

(To be continued.)



WILFRID GUY DENSEM, F.C.A.

President

The Institute of Chartered Accountants in England and Wales  
1964

# Discounted Cash Flow

## Its Limitations and a Proposed Alternative Method

by R. E. WYNNIATT-HUSEY, A.C.A.

OF all the methods used to evaluate the profitability of capital expenditure, the discounted cash flow technique has been held to be most satisfactory. As its use is now widely adopted it is thought it would be advisable to reappraise its limitations and to suggest an alternative technique for use when the normal D.C.F. calculations are not applicable.

The D.C.F. method acknowledges that money in the future has to be discounted to evaluate its present worth. As the discounting rate is not known, the future returns are discounted at various rates of interest until the rate is found at which the total of the future returns exactly equals the present cost of the investment. This rate is then stated to be 'the return of the investment'.

This rate of return includes the repayment of the capital sum and is therefore not on the same basis as the normal investment return indices. To be comparable, it is necessary to deduct the value of the capital portion of the repayments.

### Example 1

*Comparison of D.C.F. rate with 'true' rate of return on project*

	Per cent
Cost of investment, £10,000 – Cost of money	5
Return per annum, £4,107 – five years	
D.C.F. rate of return .. .. .	30
Annual return .. .. . £4,107	
Deduct capital repayment $\frac{£10,000}{5}$ 2,000	
Annual savings .. .. . <u>£2,107</u>	
True rate of return .. .. .	21
D.C.F. return rate overstated .. .. .	9

Since under the usual D.C.F. technique, the earning power indices are calculated on the reducing balance of the asset, the rates of return based on widely differing numbers of years cannot be compared, a D.C.F. yield of 30 per cent on a project with a life of twenty years being

considerably more valuable than a D.C.F. rate of return of 30 per cent on a project whose life is only five years. Residual values also considerably affect the validity of comparisons. (See Example 2 on the following page).

Another limitation of D.C.F. techniques is that they cannot be used for all forms of investment problems unless modified forms of calculation are used. An example occurs where an investment is purchased not with a lump-sum payment but over a number of years. If the postponed capital payments are discounted as normal cash flow at the earning power rate, two or more rates of return on the project may be calculated, all of which are arithmetically correct and yet none of them yielding a true answer.

Perhaps one of the most serious limitations to the normal D.C.F. technique exists in the realms of the earning power rates on self-financed capital. As D.C.F. ignores the cost of money and because the rate of return as calculated under D.C.F. is not comparable with other financial rates of return, the yield of self-financed capital cannot easily be calculated. Both (1) deducting the costs of the loaned money and interest thereon from the gross earnings and then calculating as usual, or (2) deducting the interest rate on the borrowed moneys from the earning power rate of the project and then expressing as a percentage return on self-financed capital, yield incorrect results.

In order to overcome all the above limitations of the usual D.C.F. technique it is suggested that the following method of calculation be used as it can be applied to all the above sorts of problem.

### Proposed Method

Discount the cash flow of the project at a rate of interest equivalent to the borrowing rate of the company, to evaluate the present value of the returns of the project.

Deduct from this figure, the present value of the capital repayments. If the capital repayments are assumed to occur equally throughout the asset's life, their present worth will be equal to the capital value of an annuity of that amount for the life of the asset at the cost of money percentage. If, however, the capital repayments

**Example 2**

Capital cost, £10,000 – D.C.F. rate of return, 30 per cent in all cases.

Returns: 5 year contract – £4,107 p.a.

" " – £3,682 p.a. – £5,000 Residual value

20 year contract – £3,016 p.a. – cost of money, 5 per cent

	<i>Five years</i>	<i>With residual value</i>	<i>Twenty years</i>
Annual return .. .. .	£4,107	£3,682	£3,016
Capital repayments $\frac{£10,000}{5}$ ..	2,000	1,000	$\frac{£10,000}{20}$ 500
	<u>£2,107</u>	<u>£2,682</u>	<u>£2,516</u>
True rate of return .. .. .	21 per cent	27 per cent	25 per cent

(The return of the longer contract being approximately 4 per cent more beneficial than the former.)

are not equal it will be necessary to discount each one separately.

The annual saving will then be expressed as a percentage return on the cost of the project.

**Example 3**

Cost of Asset, £10,000

Cost of money, 5 per cent – Returns £4,107 per annum, five years

				<i>Discount at 5 per cent</i>	<i>Present Worth</i>
				<i>Return</i>	<i>Factor</i>
				£	£
Year 1	..	..	4,107	952	3,910
„ 2	..	..	4,107	907	3,725
„ 3	..	..	4,107	864	3,548
„ 4	..	..	4,107	823	3,380
„ 5	..	..	4,107	784	3,220
				<hr/>	<hr/>
				£4,330	17,783

Value of asset £2,000 × 4,330 .. 8,660

Present worth of future earnings .. £9,123

Annuity purchasable for £9,123 for five

years at 5 per cent  $\frac{£9,123}{4,330}$  .. £2,107Return on Project .. 21 per cent

To calculate the rate of return on the self-financed capital the interest paid on the borrowed moneys has to be deducted. If the loan is repaid in a lump sum at the end of the project the annual interest charge is constant and may therefore be deducted from the annual savings figure. This figure may then be expressed as a percentage return on capital.

**Example 4**

Details as Example 3. Loan £7,500, self-financed £2,500; Interest on loan, 5 per cent.

	<i>Per cent</i>
Annual savings as above .. .. .	£2,107
Less Interest on loan 5 per cent × £7,500 .. .. .	375
Net annual savings .. .. .	<u>£1,732</u>
Net return on project .. .. .	<u>17.3</u>
Return on self-financed capital of £2,500 $\left\{ 17.3 \times \frac{10,000}{2,500} \right\}$ .. .. .	<u>69.2</u>

If the loan is repaid in equal annual instalments the average annual interest payment has to be calculated. This can be calculated using the annuity tables and deducting the capital portion.

**Example 5**

Details, as Examples 3 and 4. Loan repaid in equal annual instalments over lifetime of project.

	<i>Per cent</i>
Annuity purchasable for £7,500 at 5 per cent for five years .. .. .	£1,732
Deduct Capital portion $\frac{£7,500}{5}$ .. .. .	1,500
Average interest charge .. .. .	<u>£232</u>
Gross annual savings as above .. .. .	21.07
Deduct Interest on loan .. .. .	<u>2.32</u>
Net return on project .. .. .	<u>18.75</u>
Return on capital .. .. .	<u>75.0</u>

*Residual values:* As rates of return shown on normal investment indices do not take into account possible variations in the value of the investment and as the proposed method is to be strictly comparable with these other methods, there is no need to discount any residual value. Its effect is taken into account by deducting it from the initial cost of the project before calculating the capital portion of the savings; the

capital repayment being calculated as usual but on the reduced amounts.

The following example shows the difference in the 'true return percentage', using the same D.C.F. rates but for different periods of time; the effect of residual values; and the different rates of return of self-financed capital when different proportions of the total cost are financed externally.

**Example 6**

Cost of money, 5 per cent

D.C.F. rate of return *all projects*, 30 per cent

	(i) five years	(ii) ten years	(iii) twenty years
Cost of project, £10,000 .. .. .			
Return p.a. .. .. .	£3,852	£3,217	£3,016
Residual value .. .. .	£3,000	£1,000	Nil
Self financed:			
(a) £10,000			
(b) £7,500			
(c) £5,000			
(d) £2,500			
loans repaid in equal instalments over lifetime of project			
Present worth of future returns .. .. .	£16,679	£24,849	£37,591
Repayments annuity on capital cost <i>less</i> residual value:			
$£ \left( \frac{10,000 - 3,000}{5} \right) \times \text{annuity table}$ .. .. .	6,062	6,951	6,232
Present worth of future earnings .. .. .	10,617	17,898	31,359
Annual savings (annuity 5 per cent) .. .. .	£2,451	£2,317	£2,516
Percentage return on project .. .. .	24.5 per cent	23.2 per cent	25.2 per cent
Return on self-financed moneys:	Per cent	Per cent	Per cent
(a) 100 per cent self-financed .. .. .	24.5	23.2	25.2
(b) 75 per cent self-financed .. .. .	32.6	30.9	33.6
Less: Interest on borrowed money .. .. .	0.8	0.9	0.9
	31.8	30.0	32.7
(c) 50 per cent self-financed .. .. .	49.0	46.4	50.4
Less: Interest on borrowed money .. .. .	2.5	2.6	2.8
	46.5	43.8	47.6
(d) 25 per cent self-financed .. .. .	98.0	92.8	100.4
Less: Interest on borrowed money .. .. .	7.6	7.9	8.5
	90.4	84.9	91.9

The interest on loaned money rates is calculated as follows:

	Five years	Ten years	Twenty years
(a) Annuity of 5 per cent on £10,000 .. .. .	£2,254	£1,264	£783
Capital proportion .. .. .	2,000	1,000	500
Interest .. .. .	£254	£264	£283
Interest rate as £10,000 .. .. .	2.5 per cent	2.6 per cent	2.8 per cent



*Interest on loaned moneys expressed as percentage of self-financed capital:*

(b) $\frac{2,500}{7,500}$ Loan	$\times 2.5$ per cent	..	..	..	0.8	0.9	0.9
(c) $\frac{5,000}{5,000}$	$\times 2.5$ per cent	..	..	..	2.5	2.6	2.8
(d) $\frac{7,500}{2,500}$	$\times 2.5$ per cent	..	..	..	7.6	7.9	8.5

## The Science of Price-fixing—III

by E. J. BROSTER

*This part continues the methods of determining the elasticity of demand*

### Making a Model

WHEN the investigator finally decides that he must have recourse to time series and that extraneous factors need to be taken into account, he must determine what other measurable factors can be included, and then build a model or basic equation. The model is most important. It is the architect's plan of the edifice that is to be built. It belongs to the sphere of econometrics, and provides the link between economic theory and statistical investigation.

The model will depend in part upon the extraneous factors. We can say that the quantity in demand of any good or service in the home market will tend to vary with the country's prosperity, the purchasing power of the £, the price level of close substitutes, i.e. other brands, and if the goods are capital goods, the gross capital formation in respect of that type of fixed asset. We should also need to take account of the trend factor as discussed in the previous article. A measure of prosperity is the national income, or total personal income, as an alternative, of which United Kingdom annual figures are published in the *National Income and Expenditure* Blue book, and quarterly figures (at both current and constant prices and both seasonally adjusted and unadjusted) in the *Monthly Digest of Statistics*, both H.M.S.O. publications. The purchasing power of the £ is the inverse of the retail price index, published monthly in the *Monthly Digest of Statistics*. Figures of gross capital formation are published annually in the *National Income* Blue book and quarterly in the *Monthly Digest of Statistics*.

For the price-index of competitive brands, the the firm can do no better than construct its own

index of them, using price data which it has collected as a matter of course over the years. For this purpose, the best formula is Laspeyres's, which is now used for official index numbers of wholesale and retail prices. Quantities sold of competitive brands may not be available for weighting purposes. A rough and ready weighting would generally be better than giving equal weights to all brands. For instance, if it is thought that twice as much of brand X. is sold as of brand Y., then the quantity weight given to X. should be double that given to Y.

### Introducing Extraneous Factors

We now come to the most interesting and important part of the exercise of building the model, that of deciding how to take account of these extraneous factors. The model will necessarily begin with equation (4), whose linear form, equation (5), will form the basic equation. Sometimes it is possible to reduce the number of factors by taking the ratio of one factor of another. We could, for instance, take account of changes in the purchasing power of the £ by deflating the price of the product itself, the price level of substitutes and the national or personal income, by reference to the retail price index thus expressing all three in real terms.

For practical purposes, as well as for theoretical reasons, it would be necessary to preserve the logarithmic form of equation (5) when the additional factors are introduced. A complete linear form may then be something like this:

$$\log q = \log k - e \log p + f \log S + g \log I + rx \quad \dots (6)$$

where  $f$ ,  $g$  and  $r$  are constants,  $p$  is the real price of the product,  $S$  the real price level of substitutes,

$I$  the real national income or total personal income, and  $x$  is the trend factor, as described in the article on Marginal Costing<sup>1</sup>. The investigator may be prompted to account for the trend factor by using  $r \log x$ , but a little thought will show that  $rx \log 10$  is the more logical. Since  $\log 10 = 1$ , the expression required is merely  $rx$ . Mathematicians use  $e$  (epsilon), the base of natural logarithms, instead of 10, and would thus have  $e^{rx}$  or linearly  $rx \log e$ , but the effect is the same on the results of the correlation analysis as the simple  $rx$ . It would not, at any rate, make any difference to the assessed value of  $e$ , the elasticity of demand, which for pricing policy purposes is all we require of the analysis. Not that the assessed values of the other constants are useless. They can indeed be very useful in production planning, and in management policy generally.

There are other extraneous factors that could be taken into account where appropriate, viz:

1. *Advertising expenditure.* If this has varied in the periods covered by the analysis, it certainly needs including. If the effects of the various media are required – and I imagine they would be by any manufacturer of consumer goods who employs different media – the expenditure on each medium, television, newspaper, hoarding, etc., can be taken into account separately, especially if a computer is available for doing the large amount of arithmetic involved. Counter-advertising, i.e. advertising by competitors, should also be taken into account if possible. Some information is published in the *Statistical Review of Advertising*, but it relates to firms rather than brands.

2. *Population trend.* Generally, this will be taken care of by the trend factor; but it can be included if there are significant fluctuations in the periods.

3. *Prices of products in joint demand.* This factor may be important. For instance, the demand for vehicle lubricating oils is affected probably more by the price of petrol than by their own prices.

4. *Distribution of personal income.* If there have been appreciable redistributions of income amongst the several income groups during the periods, the total income may not be sufficient as a factor. This will be more important where the product or service falls into the luxury or the status symbol category. For some products, the factor may be the income bracket, for others the social stratum; and the only way to take account of this extraneous factor is to include each group separately as a factor in its own right.

There is a limit to the number of factors that can be taken into account in the basic equation and this is set by the number of sets of observations. If the basic period is the quarter and the statistics available cover five years, the number of sets of observations will be twenty. If we deduct from this the number of constants in the basic equation, we arrive at what is called the degrees of freedom, that is, the number of sets of observations in excess of those needed to arrive at a solution by pure mathematics.

### The Degrees of Freedom

In problems of this kind, one could attach no significance at all to the constants assessed by such a non-statistical method: indeed, the greater the number of degrees of freedom, the more significant are the results. Ten degrees of freedom are a working minimum, I suggest; but one only appears to make a difference where the number of constants (or coefficients) is large. For instance, if there are twenty sets of observations, and nineteen constants to evaluate, we could apply simultaneous equations by pure mathematics to each series of nineteen sets of observations in turn. To do this, we would omit each set of observations in turn and thus have twenty series from which we would derive twenty values for each constant. By averaging these twenty values of each or making a selection by reference to, say, the mode, which is a kind of average after all, we should arrive at something rather more significant than the one figure derived from one series of nineteen sets only.

However, this is to some extent illusory. Of the twenty series of sets of observations, any two would both contain the same eighteen sets, so that the results could scarcely differ appreciably. Even if one set included in one but omitted from the other were 'out in the blue', as they say, there could scarcely be a great deal of difference in the results, unless the set were a very long way out in the blue, so far indeed that any investigator would feel disposed to reject it as absurd. It is for this reason that I suggest ten degrees of freedom as a working minimum.

If we still had twenty sets of observations but only ten constants or coefficients to evaluate, there would be 184,756 series of equations, from which we could obtain 184,756 values for each constant. Although one could therefore regard the application of simultaneous equations direct to the observations as a practicable method of correlation analysis, it would often necessitate a

<sup>1</sup> *The Accountant*, February 22nd, 1964.

vast amount of arithmetic, which with a computer available may not very much matter.

On the whole, however, the best method of correlation analysis, computer or no computer, is undoubtedly least squares – sometimes called regression analysis. I outlined this method in the previous article on marginal costing<sup>1</sup> and all I need to say here is that in using a model of the type of equation (6), the squares and products would be those of the deviations of the logarithms from the means of the logarithms, except of course for  $x$ , the trend factor, for which the natural numbers would be used.

### What Price?

The investigator will need to give careful consideration to the price he uses in the demand analysis. If his firm sells direct to consumers, or to traders without any resale price maintenance clause in his contract of sale, the ex-works price may be appropriate. If the firm sells at a price delivered, then he may prefer the delivered price; but if he does, the marginal cost for optimum pricing purposes should include the marginal cost of delivery. If, however, the firm sells under a contract embodying a resale price maintenance clause, he may prefer the retail price as the most appropriate. It is true that the gross receipts would then be the gross receipts of retailers from the sale of the firm's product; but the use of the retail price has the advantage over others of being the price which determines the level of demand for the product. It would then be necessary to include in the marginal cost to the firm the wholesaler's and retailers' margins in full, just as though the wholesalers and retailers were acting as the firm's agents and were paid strictly by results. It would also be necessary to include any purchase tax in full as a marginal cost.

Where there is no resale price maintenance, the trader can charge whatever margin he thinks fit. The trader himself then is confronted by a problem in price-fixing. Although in carrying out an investigation into the optimum price for any item of his merchandise, he would use the price he charges his customers, his marginal cost should not include his gross profit margin or gross profit, since to him the margin is not a cost. For the purpose of pricing policy, the marginal cost to the trader is the price he pays for the goods plus any marginal cost of transport, storage and resale.

Not all managements will wish to maximize profits by optimum pricing – amongst them

especially those of the State-owned industries, at any rate those capable of making a profit great enough to provide enough finance for all their new investment projects from a lower price.

### The Public Sector

In the nationalized industries and the Post Office, the object of pricing policy is not so much to maximize profits as to serve the best interests of the community. This, as a general theorem, is exceedingly complex. Petrol and tobacco, for instance, are already heavily taxed; and it could be argued that any State monopoly in either should be run to maximize profits for the benefit of the community, on the questionable dictum that neither of them is a necessity. Although nobody has to smoke or to run a car in order to live, the low elasticities of demand for tobacco and motoring – and especially that for tobacco – indicate that they are in fact necessities.

On the other hand, all the products and services provided by the State monopolies are essential to living standards in our society. They therefore cannot in equity be taxed, so that optimum pricing scarcely seems appropriate except to prevent losses or to minimize them. However, this is not quite true. An understanding of the general theory of optimum pricing can be of assistance in any kind of pricing policy, and for that matter in indirect taxation policy as well. As has been said, "The role of general theories is to give insight into the problems being studied."<sup>2</sup>

The optimum sets a maximum to the price of any make or brand of product or service, and I can think of no circumstances in which exceeding it could be justified in any way, except by a State monopoly or State-controlled industry producing a commodity or providing a service which might be considered to be what Ruskin called 'illth', the opposite of wealth. Cigarettes, potable spirits, and horror comics are examples of what various people may regard as 'illth' – things for which there may be a legitimate demand but whose consumption it may be good policy to discourage.

Our nationalized industries do not produce 'illth' in any acceptable sense of Ruskin's term;<sup>3</sup> so that there can be no good reason why the optimum price should ever be exceeded. In all probability it is not, though there can be no

<sup>2</sup> "The role of models in operational research", by K. D. Tocher, *Jnl R. Stat. S., Series A (General)*, Vol. 124, Part 2, 1961.

<sup>3</sup> Armaments are 'illth' according to Ruskin. However, the Royal Ordnance factories can scarcely be described as a nationalized industry.

<sup>1</sup> *The Accountant*, February 22nd, 1964.

certainly without an investigation into marginal costs, and the elasticities of demand in all markets.

To the policy-maker in State monopolies, optimum pricing should mean making sure that the optimum price is not exceeded; or, if the undertaking is running at a loss, or threatens to run at a loss in the future, determining to what extent prices can be raised without going beyond the optimum.

### Breaking Even

We can look at this problem in another way. Suppose Fig. 2 presents the position of a State industry's product in a market. The board of management of the industry wishes merely to break even, and to make neither a profit nor a loss on the product. It will be seen that it could charge either of two prices, one below the optimum and the other above it, corresponding to the two points where the gross receipts curve and the total costs curve intersect. The public interest would require the lower of the two prices to be charged rather than the higher.

Although it is the marginal cost and not the average cost which is the determinant of the optimum price, such dicta as 'price is unaffected by the overhead costs.'<sup>1</sup> are scarcely true of State monopolies, whose policy is to keep prices below the optimum so long as losses are not incurred.

<sup>1</sup> Joan Robinson, *Ibid.* page 48. It should be kept in mind that Mrs Robinson was concerned with private industry, her assumption being that every firm does in fact charge the optimum price for all its products. The assumption may not be entirely valid; but most firms undoubtedly try to do so.

The pricing policies of the nationalized industries are subject to some measure of Government control. The gas and electricity industry's (as with the water undertakings) have held local monopolies from their genesis, and Government control was essential to prevent abuse. These and the coal industry now necessarily figure in the Government's fuel policy, and so also to some extent through indirect taxation does the oil industry.

But whether price-fixing is the Government's or the individual industry's responsibility, or whether they share it, does not affect the application of the optimum-pricing technique in its limited, public-interest, sense.

Firms in the private sector rarely, if ever, see pricing policy in the same public-interest light. The first duty of managements in the private sector is to their shareholders. Generally, then in the short run their pricing policy would approach the optimum as closely as possible. In the longer run, however, pricing policy may aim at reducing competition by eliminating competitors through low prices. A successful policy on these lines would reduce the elasticity of demand, raise the optimum price and thus enable the firm to reap greater profits.

But in both the private and public sectors whatever may be the management's immediate pricing policy, the optimum price is a most important piece of information, at least as important as any other. It is therefore worth going to a lot of trouble and expense to discover it.

(Concluded.)

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## Weekly Notes

### THE INSTITUTE'S NEW PRESIDENT

MR Wilfrid Guy Densem, F.C.A., was elected President of The Institute of Chartered Accountants in England and Wales for 1964-65 at last Wednesday's meeting of the Council.

Mr Densem, who is senior partner in the firm of Deloitte, Plender, Griffiths & Co, of London, was born in 1904 in Bristol and was educated at Clifton College. He served his articles with Mr Gerald F. Todd, M.B.E., F.C.A., of Bristol, and was admitted to membership of the Institute in 1928. Six months

later he joined the London staff of Deloitte, Plender, Griffiths & Co and became a partner in the firm in 1946.

Elected to membership of the Council of the Institute in 1955, Mr Densem has served as a member of a number of committees and as Chairman of the Examination Committee and Vice-Chairman of the Investigation Committee. He has also served as an examiner and moderator for the Institute's examinations and from 1950-57 was a member of the Taxation and Research Committee.

Mr Densem was appointed by the Home Secretary in 1957 to inquire into the costs of operating London taxis and in 1962 he was appointed by the Prime Minister of Malta to membership of the Council of Administration in connection with the Malta Dockyard. He has also served since 1960 as a member of the Trustee Saving Banks Inspection Committee.

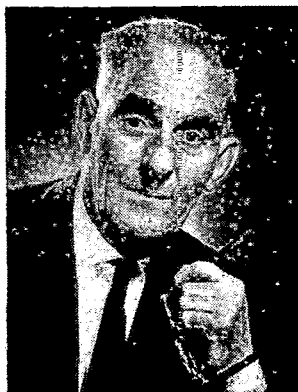
Elected to the Committee of the London and District Society of Chartered Accountants in 1949,

Mr Densem served as Chairman of the Society in 1953-54.

We have pleasure in publishing as a supplement to this issue a reproduction of a recent portrait of the new President.

### THE NEW VICE-PRESIDENT

**T**HE new Vice-President of the Institute is Mr Robert McNeil, F.C.A., senior partner in the firm of Nevill, Hovey, Gardner & Co, of Hove, Sussex.



Mr Robert McNeil

Mr McNeil joined his firm in 1925 as managing clerk, having in November 1924 passed the Final examination of The Society of Incorporated Accountants with honours. He was articled in 1929 and in 1934 gained Third Place in the Institute's Final examination, winning also the 'Frederick Whinney' Prize. He was admitted an Associate of the Institute, and a partner in his firm, in

1935, and was elected to Fellowship of the Institute in 1945.

In 1947, Mr McNeil was elected President of the South Eastern Society of Chartered Accountants in the year when that Society was the Host Society for the first Autumnal Meeting of the Institute to be held after the Second World War.

He has represented Sussex at association football and has played badminton for Sussex. He is now a keen golfer.

Mr McNeil was elected to the Council of the Institute in 1953 and has served on the District Societies, Examination and General Purposes Committees, and is Chairman of the Applications Committee.

### NATIONAL COST ACCOUNTING CONFERENCE

**I**N the course of his presidential address at the thirty-fifth National Cost Accounting Conference of The Institute of Cost and Works Accountants held in Belfast on Thursday and Friday of this week, the retiring President, Mr C. Eric Power, F.C.A., F.C.W.A., said that nothing would be more reassuring to the community than the certain knowledge that national expenditure was controlled by the Government of the day with the same degree of urgency and good management which industry was exhorted to apply. In recent months, said Mr Power, the announcement of policies which would involve colossal expenditure stretching over the next decade or so accentuated the need to make sure not only that forward plans were

realistic but that good value for money was obtained in a competitive atmosphere.

Government departments, he said, must employ sufficient adequately trained staff with the specialist qualifications and experience for their tasks, and should provide the conditions which will permit the recruitment of men from industry and commerce who were competent to supply the necessary expertise to ensure that co-operation and control was effective throughout.

Papers were presented to the conference by Mr P. J. W. Ambler, M.A., A.C.W.A., on 'Management accounting and modern decision techniques', and by Mr E. E. Rushton, F.C.W.A., on 'Management accounting and exports'. In addition, Dr Denis Rebbeck, D.L., J.P., managing director of Harland & Wolff Ltd, spoke on 'The British shipbuilding industry, with particular reference to Belfast shipyards'.

The conference ends this morning (Saturday) with the forty-fifth annual general meeting of the Institute. A report of the conference will appear in our next issue.

### PUBLIC PENSIONS SCHEMES

**T**HE number of persons employed in the public sector of the economy, i.e. the nationalized industries and public corporations, as well as the armed forces, local and central Government, has grown steadily since the war. In consequence, the cost of public pension schemes has also increased but it has not been possible hitherto to estimate exactly the aggregate cost of these schemes due to the multitude of authorities involved and the different bases of their schemes. An article in the May issue of *Economic Trends* seeks to fill some of the gaps in this information.

The number of pensionable employees of both sexes in the public sector has risen since 1953 from 2.98 million to 3.81 million in 1962; the division between manual and non-manual workers is roughly equal although there are about one hundred and fifty thousand more non-manual workers covered by these schemes. Total contribution income over the same period rose from £197 million to £396 million and in the latest year the contribution of employees was £100 million as compared with £296 million from employers. The disparity in the two contributions is more marked in the public services than it is in the nationalized industries since the latter have a contributory scheme. The growth in contributions over the past decade is largely attributable to increased wages and salaries rather than larger numbers covered by the schemes.

Perhaps the most striking fact to emerge from the analysis of the data is the rapid increase in the number of retirement pensioners each year since 1953. Then they totalled 613,000 and after a continuous rise, in 1962 the figure was 942,000; in consequence the ratio of pensioners to employees in all grades and classes has risen quite sharply.

Expenditure on pensions rose from £109 million in 1953-54 to £222 million in 1962-63; while the total assets invested in public superannuation schemes now amount to over £700 million in local government schemes and some £900 million in other public service schemes.

### RATES AND THE EXCHEQUER

THE prospective rise in local authority expenditure reported in a leading article in our last issue was discussed by the Chancellor of the Exchequer in an address to the County Councils Association. Mr Maudling confirmed that the ratepayer's bill has risen over the past six years by about 6d per week, or £1 6s per annum. The average demand per household is about £32 a year, but this average conceals variations in the annual charge from £11 average in one area to £99 at the other extreme.

The Chancellor does not share the current optimism of some of the critics of the rating system that a transfer of cost from the rates to the Exchequer would be advantageous to householders. In his view the gain would be 'surprisingly small'. He referred to calculations which indicated that to reduce the rate burden for the average householder by £3 per annum in this way would cost the taxpayer the equivalent of 6d extra on the standard rate of income tax, or an increase of some 20 per cent in the yield of purchase tax. More especially, such a change would merely distribute relief in a haphazard way regardless of need, instead of concentrating the relief on those householders where it was most needed. In this context the findings of the Allen Committee will be all important. Clearly, until these are published and digested, the Government can do very little to relieve any current hardship.

Nevertheless, while the Chancellor conceded that some changes in the grant structure itself as well as in the relationship between the Exchequer aid and the rate would have to be made, none of this strikes at the real root of the problem - the mounting cost of local public services.

### MOVEMENTS IN STOCK BUILDING

THE latest issue of the *Bulletin for Industry* put out by the Information Division of the Treasury has an article on recent changes in stocks held by industry. The changes in levels of stock, whether they be raw materials, semi-finished goods or finished output, add up for the economy as a whole to an important influence on demand and on the balance of payments position from one quarter of a year to another.

The article points out that although stock building began to rise quickly towards the end of 1963, over that year as a whole it was little more than in 1962 and so had little effect on the increase in total final expenditure between the two years. By the third quarter of 1963 stocks of industrial materials were

low and rapid stock building took place which carried on into the early months of 1964.

It is surprising that so little attention has been given to the assistance which more efficient stockholding by commerce and industry could have on the balance of payments position in the short period. The time has perhaps come for a nation-wide drive to install modern and well-tried stock control techniques. Its object would be to increase the efficiency of stockholding so that a given increase in industrial output could be sustained by the minimum possible level of stocks.

### CHANGES IN THE RETAIL PATTERN

CHANGES in the structure and pattern of the retail trade are reviewed in an article in the same bulletin. Figures are given to show that between 1950 and 1961 the number of small independent businesses and small multiples (with less than ten branches) fell by 23,000, a drop from 503,600 to 480,000. The decline of independents was particularly marked among confectionery, tobacco, newsagents, clothing and footwear shops. There was a big increase in the number of large multiples (with ten or more branches) and an increase of 4,000 in co-operative shops.

Mail order business has been one of the fastest growing retail outlets. Between 1957 and 1961 general mail order houses (excluding manufacturers' direct sales) increased by 87 per cent while retail trade as a whole went up by only 18 per cent. There has been a substantial increase in the number of vending machines and the volume of goods sold. The fastest growing section in vending machines has been in food and drink. Direct sales to the public by manufacturers went up from £70 million in 1950 to £144 million in 1961, and since 1961 direct selling has made further progress, especially in electrical appliances.

### FUTURE GROWTH PLANS

GIVING the Sir Ellis Hunter Memorial Lecture at York University last week, Sir Robert Shone, Director-General of the National Economic Development Council, spoke about the future preparation of growth plans. His subject was 'Planning in a dynamic economy'.

He said that in future growth plans might take longer to formulate. France, for example, took much longer to prepare an economic forward plan than the United Kingdom had taken in its first attempt to produce a blue-print for a plan for the first time. The first plan for the United Kingdom had been broadly in line with industry's expectation of what could be accomplished, namely, a 4 per cent increase in output each year. In future, this coincidence between what industry thought might be accomplished and what the Government might think was a sufficient target might not occur.

The N.E.D.C. review of the first plan undertaken earlier in 1964 indicated that industry was progressing

in output and productivity broadly in line with what the plan called for. There were, however, problems. A further increase in productivity was required. Exports were higher than industry had expected but not high enough to meet the plan.

Going on to say that faster growth was not achieved merely by quantitative decisions about what should be produced, Sir Ellis emphasized that there was need for better management and better distribution of manpower.

### COMMONWEALTH DEVELOPMENT CORPORATION

THE annual report for 1963 for the Commonwealth Development Corporation shows a big increase in loans and investments approved. Last year's figure was £10 million as against £3.4 million

in 1962. This has been a fitting inauguration of its change of name from Colonial Development Corporation, the change of name coinciding with an extension of its activities to those countries which have achieved their independence but have remained within the Commonwealth.

The Corporation's next hurdle is to obtain better terms for acquiring funds. This matter is to be reviewed by the Government this year. The chairman of the Corporation, Lord Howick, hopes that the Government will adopt the recommendations of the Sinclair Commission. Under these proposals the Treasury would charge the market rate to the Corporation only on funds it borrowed to re-lend and the Corporation would pay a return on money used to take up shares only after these had started to pay a dividend.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 227

PEOPLE have different views. Even accountants may consider one another wrong, though not stooping (except mentally) to the use of such epithets as stupid, pigheaded, misguided or just plain dumb.

These erudite and philosophical sentiments derive from a blasting that I recently received from a friend of mine (at least I thought he was), who is a cost accountant by profession. If he's right then I'm wrong. The converse, I note with relief, may also be true. The point at issue is one probably familiar to accountants, all of us impinging on it at some time or another, so it's as well to ventilate it.

I'd been telling him about some minor staff troubles I'd experienced recently, commencing when our factory manager rather manipulated his overtime records and culminating when our cost section let his figures go unchecked and untested. I'd been mildly annoyed by the incident and said so; my erstwhile friend rebuked me, however, for wasting time or thought or trouble on it.

He adopted the canine metaphor originally used by Lopes, L.J., to emphasize that the cost section staff should not approach their work with suspicion and neither should I. We should trust the factory manager, he pointed out, quoting his lordship with free adaptation:

'A cost accountant is not bound to be a detective. He is a watchdog, not a bloodhound. He is justified in believing tried servants of the company. He is entitled to assume that they are honest, and to rely on their representations provided he takes reason-

able care. . . . The duty of cost accountants must not be rendered too onerous. Their work is responsible and laborious and the remuneration moderate.'

This question of trust . . . servants in whom confidence is placed by the company . . . assume that they are honest – just how far can we go? To trust someone merely because somebody else has confidence in him seems to me to be merely subordinating one's judgment to another's; let's face it, our company has made its share of mistakes in the past and probably will in the future. Should one assume that everyone is honest until the contrary is proved? Surely that's flying in the face of probability, Providence, and common sense; history shows that we've too much original sin in our composition to justify us in being that gullible. The Press has recorded too many larcenies or embezzlements for accountants to plead that they didn't think the gun was loaded. Much as I'd hate to have one of these warped, suspicious, muck-raking mentalities, I'd hate nearly as much to accept an unsigned document as binding.

Perhaps Lopes, L.J., was a little too naïve? Perhaps we should underline the key phrase about taking reasonable care? As I see it, the directors appoint accountants to be meticulous in testing and sample-checking; if their duty is thought to be too onerous there are better alternatives than shirking it. They can never take figures for granted or accept blindly. Eternal vigilance is the watchdog's pride, even though there's only moderate gravy with his daily bone. It's not that we actually distrust; rather, we try to keep an open mind.

My friend commented bluntly that a watchdog who barked at every passing shadow probably suffered from rabies. We-ell, maybe. To be faithful in small things is admittedly tiresome to others; and trying, and onerous, and time-consuming when one wants to do bigger things . . . but what good is a dumb watchdog?



# Reviews

## Accounting Step by Step – 1. Accounting Reports

by R. G. A. BOLAND, B.A., F.C.A., and DAVID HALL, M.A.  
(English Universities Press Ltd, London. 12s 3d.)

A programmed textbook on accounting has been eagerly awaited and this volume is the first of a series of four which will also cover 'debit and credit', 'cost accounting' and 'budgetary control'. It aims to lead the student systematically through the basic concepts of profit and financial position to an understanding of the nature and purpose of the profit and loss account and balance sheet. Some of the provisions of the Companies Act, 1948, are summarized and the most commonly used ratio calculations explained.

Programmed instruction is based on the principle that learning is better accomplished if the student progresses through small steps, so that the risk of basic error is reduced. The programmed textbook consists of a certain number of sequential steps and the student works through these one at a time, proceeding to the next when a correct response has been given to a carefully worded interrogation. Learning improves when the student participates actively in his work, and a system of scoring permits him to evaluate his progress and achievement. He can learn at the pace most suitable for him and check his responses immediately and a quiz at the end of the book enables him to review his studies.

From all these viewpoints, and in terms of size and presentation, *Accounting Step by Step* is first-class. Where it has been tried out with students knowing nothing of accounting the response has been uniformly favourable. A fundamental criticism of the method, however, is that a programmed book is wholly unsuitable for use as a work of reference, so that where the student has to check back on something forgotten or imperfectly assimilated he must go to a conventional textbook. In the case of a standardized technique such as algebra this may not be too difficult, but where the explanations of different writers are conditioned by their individual approaches and experience, it could lead to considerable confusion.

Further, if the programme itself omits any important conceptual aspects of the subject, the learning acquired may be too superficial to be of value. For example, it is not possible for a beginner to deduce from the explanation of depreciation in *Accounting Step by Step* whether the cost of land is depreciated or not.

It may be that the advantages of a programmed textbook could be enjoyed by a well-written conventional textbook, with the added facility of convenience for reference.

## Personal Taxation Explained

by P. J. NASH (Evans Brothers Ltd, London. 25s net.)

The aim of this book, in the words of the author, is to help the great number of people who probably pay more tax than is necessary. It is not intended for students or qualified accountants, although the former might find it as illuminating and considerably more readable than many of the standard texts to which they are usually referred. All the obvious topics which affect the individual taxpayer are discussed and there is a sensible outline of the law relating to expenses, together with a clear account of Case VII. The text is sufficiently up to date to bring in a summary of the main points of Case VIII. This is a book which can be confidently recommended to the intelligent layman or business man by his professional adviser.

## Accounting Principles and Practice

by S. HALL, B.A.(COM.), F.C.A. (Pergamon Press Ltd, London. 25s net.)

This volume enables the reader without prior knowledge of accounting to progress stage by stage up to professional Intermediate standard in the subject. It forms part of a general educational library (the Commonwealth and International Library) for which the publishers make two claims: firstly, that each book will have about one hundred and twenty-eight pages and cost between 7s 6d and 17s 6d; secondly, that they will be up to date and written to the highest possible standards. Having failed in this case to meet the first of these objectives, it remains now to consider whether more success has attended their efforts in achieving the second.

Two questions should be asked to decide whether the book is up to date.

Firstly, does it reflect modern accounting practice? The cover illustrates part of the keyboard of an accounting machine. Hopes that the vast growth of machine accounting and the changes in methods this has brought about will gain some recognition within the covers quickly fade however. They are completely dispelled by chapter 3 where books of original entry are described exclusively in terms of hand-written journals and three-column cash-books. (Does anybody still keep a three-column cash-book?) There are, unfortunately, other examples of a traditional approach to the subject. Thus the words 'to' and 'by' are used in all the examples of accounts throughout the book. Again, although the distinction between fixed assets and current assets is explained quite early (page 33), the reader is allowed to study thirteen more illustrative balance sheets spread over a further 140 pages before these headings are actually incorporated into a balance sheet. Modern accounting practice is a little more adequately reflected, however, in a useful chapter devoted to the presentation of company accounts.

A second question is whether the book embraces modern ideas on accounting principles and theory.



In this respect, it is more successful. There are encouraging signs that some of the problems and ideas which have been discussed in the accounting journals and elsewhere in recent years have, albeit tentatively, found their way into this book. Thus the interpretation and limitations of accounts are discussed in the two final chapters in which brief references are made to such topics as ratio analysis, funds statements, inter-firm comparison, the problem of valuation, the meaning of income and the effect of price level changes on the calculation of net profit.

This book is clearly written and attractively printed in spite of the tiresome over-use of capital letters. The wealth of worked answers to accounting questions at each stage in the text should be invaluable to the student intent upon examination success.

### The Shifting of the Corporation Income Tax

by MARIAN KRZYŻANIAK, PH.D., and RICHARD A. MUSGRAVE, PH.D. (Johns Hopkins University Press, Baltimore. London: Oxford University Press, 32s net.)

Since the Colwyn Commission decided in the mid-1920s that the income tax on corporate profits was not shifted, opinion among economists and business men has changed. With the near certainty that a Labour Government would introduce a new corporation tax, the question whether such a tax falls upon shareholders or is shifted on to the consumer becomes increasingly important. This monograph by two economists utilizes the technique of mathematical model-building to simulate market conditions. The analysis is rather complex and highly mathematical. The authors conclude that the business men, who have for long contended that they shift such taxes, are probably nearer the truth than the classical economists.

### SHORTER NOTICES

**INCOME TAX LAW AND PRACTICE**, by H. G. S. Plunkett and Cecil A. Newport. Second cumulative supplement to the twenty-ninth edition. Sweet & Maxwell Ltd, London. 10s 6d post free. Since the publication of the last edition of this standard book, there have been two Finance Acts. This supplement seeks to incorporate the main changes in respect of allowances and reduced rate reliefs, and the changes in rates of capital allowances. More especially it deals with the treatment of short-term capital gains under Case VII and a new chapter is devoted to Case VIII.

**THE LAW OF RESTRICTIVE TRADE PRACTICES AND MONOPOLIES**, second cumulative supplement by Sir Richard Wilberforce, Alan Campbell, M.A., and Neil Elles, M.A. (Sweet & Maxwell Ltd, London. 25s post free.) The book under this title first appeared in January 1957, since when the decisions of the Restrictive Practices Court are now enabling a clearer impression to be formed of the philosophy and working of the 1956 Act. This supplement, which covers the period up to January 1964, examines the various decisions and changes in the law which

have been made since the book first appeared. In addition, it contains an appendix in which the authors attempt to give an outline of the law in some other countries.

**INSTANT MATHS**, by Ann Cutler. (Souvenir Press Ltd, London. 10s 6d net.) This little booklet is by the author of the recently much-publicized *Trachtenberg Speed System of Basic Mathematics*. It sets out within the compass of sixty pages basic rules for rapid calculation with ample illustrations; the exposition is clear, and for the reader who enjoys playing with numbers, this little book can be recommended.

**NEGOTIABLE INSTRUMENTS AND SALE OF GOODS IN A NUTSHELL**, by D. A. Godwin Sarre, M.A. (Sweet & Maxwell Ltd, London. 10s net.) This is one of the 'Nutshell Series' of student aids which are so popular with examinees. In short, this little booklet is not intended to replace the established texts on these subjects, but merely to provide the student with summaries of the principles. Like others in this series, the relevant law and case references are clearly and succinctly set out, and to the student who likes this type of *aide memoire* the booklet can be recommended.

### RECENT PUBLICATIONS

**BANK LENDING**, by J. H. Clemens, A.C.I.S., A.I.B. 303 pp. 9×6. 30s. Europa Publications Ltd, London.

**WHAT EVERY TAX PAYER SHOULD KNOW ABOUT INCOME TAX**, sixth edition, by David Shrand, M.COM., F.S.A.A., C.A.(S.A.). 166 pp. 8½×5½. Card covers. R1.55. Legal & Financial Publishing Company (Pty) Ltd, P.O. Box 3461, Cape Town.

**SUMMARY JUDGMENT IN THE HIGH COURT**, third edition, by J. F. Josling. Oyez Practice Notes No. 16. 100 pp. 8½×5½. Card covers. 17s 6d post free. Oyez Publications, The Solicitors' Law Stationery Society Ltd, London.

**CONTEMPORARY ACCOUNTING PROBLEMS: Text and Cases**, by Leonard E. Morrissey, C.P.A. xvii+636 pp. 9½×6½. 68s. Prentice-Hall International, London.

**THE TREASURY**, by the Rt Hon. Lord Bridges, G.C.B., G.C.V.O., M.C., F.R.S. The New Whitehall Series No. 12. 248 pp. 9×6. 30s net (U.K. only). George Allen & Unwin Ltd, London.

**APPLICATIONS OF O. & M.**, prepared and edited by G. E. Milward on behalf of the Organization and Methods Training Council. xxi+200 pp. 9×6. 35s net. Macdonald & Evans Ltd, London.

**ECONOMIC GROWTH IN THE WEST**, by Angus Maddison. A Twentieth Century Fund Study. 246 pp. 9×6. 30s net. George Allen & Unwin Ltd, London.

**INTERMEDIATE ACCOUNTS AND BOOK-KEEPING**, by L. W. J.owler, F.C.I.S., F.H.A., A.C.W.A. M & E Handbook Series. xii+187 pp. 7½×5. Card covers. 10s 6d net. Macdonald & Evans Ltd, London.

**THE LAW OF CONTRACT**, sixth edition, by G. C. Cheshire, D.C.L., F.B.A. and C. H. S. Fifoot, M.A., F.B.A. lxxii+614 pp. 10×6½. £2 15s. Postage 2s 6d. Butterworth & Co (Publishers) Ltd, London.

**ECONOMIC PLANNING: The French Experience**, by Pierre Bauchet. Translated by Daphne Woodward with an introduction by Sir Robert Hall, K.C.M.G., C.B., M.A., HON. D.S.C. xvi+299 pp. 9×6. 35s net. Heinemann Educational Books Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

# Finance and Commerce

## In Canada

FOR this week's reprint, we go to Canada for the 1963 accounts of Bramalea Consolidated Developments Ltd, a Canadian company which a few years ago acquired 8,000 acres of land half an hour outside Toronto on the airport side for the purpose of making the area into 'Canada's first suburban city'.

The audit report was signed by Messrs Deloitte, Plender, Haskins & Sells on January 10th; the company president's report was signed in February and the annual meeting was held on March 25th, which is commendably prompt accounting and reporting.

In this private enterprise development, the City of London provided the strong initiative and it was through friends in the 'Square Mile' that the project first came to notice a few years ago. Bramalea and its accounts therefore make a fitting subject with an unusual interest for this column.

The Bramalea development was originally started

by the Eagle Star Insurance Company, Mr Harold Drayton, the B.E.T. Cayzer Trust and Close Brothers, and these interests continue to control it from London. On the board are Mr Drayton; Sir Brian Mountain, chairman of Eagle Star; and Mr F. L. Martens, of Close Brothers.

## Losses and Costs

Something like eight years have passed since the first investment was made in the land. Progress in the early stages was uphill and further capital to buttress the original stake has been needed. Viewed against the final objective, Bramalea is still very much in the development stage. The total area of land so far sold is substantially less than 10 per cent of the total acreage owned.

Some idea of the way the project was given impetus is seen in the notes to the accounts giving the breakdown of the \$13,569,499 in the balance sheet. The total comprises land \$9,578,951, development expenses \$2,225,264, and construction costs on houses \$1,765,284.

To induce industrial organizations to go to Bramalea, the company, prior to 1961, sold land to three companies for an aggregate of \$37,617 (the proceeds of the sales being credited to development expenses), which was \$310,546 less than the cost of the land. In addition, the company was obligated

**BRAMALEA CONSOLIDATED DEVELOPMENTS  
LIMITED AND WHOLLY-OWNED SUBSIDIARIES  
CONSOLIDATED BALANCE SHEET AS OF NOVEMBER 30, 1963 AND 1962**  
(expressed in Canadian dollars)

	1963	1962		1963	1962
<b>ASSETS</b>			<b>LIABILITIES</b> .. ..		
Cash .. .. .	\$ 59,615	\$ 345,705	Bank indebtedness (secured) .. ..	\$ 600,000	\$ 120,000
Investment in short-term notes—at cost (which approximates market) ..	1,030,000	1,580,000	Accounts payable .. .. .	1,019,591	835,366
Accounts receivable .. .. .	378,085	622,057	Accrued liabilities .. .. .	473,707	425,234
Land, improvements and houses—held for sale (Note 1) .. .. .	13,569,499	13,161,451	Mortgages on properties held for sale ..	495,552	794,628
Investment in revenue-producing prop- erties—at cost less accumulated depre- ciation of \$175,200 (1962—\$63,384) ..	7,114,779	631,464	Long-term debt on revenue-producing properties (Note 3) .. .. .	6,166,004	239,167
Mortgages receivable (Note 8) .. ..	466,500	47,000	Mortgages on land (Note 4) .. ..	751,736	183,500
Property and equipment—at cost less accumulated depreciation of \$97,819 (1962—\$72,116) .. .. .	114,498	132,765	6½% Sinking Fund Debentures, due July 1, 1973 (U.S. dollars 1963—\$5,376,500; 1962—\$5,915,250) (Note 5) .. ..	5,544,436	6,099,995
Deferred financing costs (Note 2) ..	375,660	414,859	<b>TOTAL LIABILITIES</b> .. .. .	<u>15,051,026</u>	<u>8,706,890</u>
Prepayments, deposits and deferred charges	378,663	195,625	<b>Capital Stock and Deficit</b>		
			Capital stock (Note 6) .. ..		
			Common, no par value; authorized 1,500,000 shares; issued and fully paid 894,538 shares .. .. .	11,309,849	11,309,849
			Common share purchase warrants ..	5,156	5,156
			Deficit .. .. .	(2,878,732)	(2,890,969)
				<u>8,436,273</u>	<u>8,424,036</u>
			Commitments (Note 7)		
<b>TOTAL ASSETS</b> .. .. .	<u>\$23,487,299</u>	<u>\$17,130,926</u>		<u>\$23,487,299</u>	<u>\$17,130,926</u>

Approved on behalf of the Board:

Alan F. B. Taylor Director

Arthur S. Armstrong Director

to bear the cost of the land development which was estimated to aggregate \$361,100, of which \$173,675 has already been expended and \$187,425 is included in the balance sheet liabilities.

The establishment of these plants was planned to stimulate industrial and residential sales and in accordance with the accounting method at this present stage of development, these losses and costs have been included in development expenses and are being amortized over future sales.

### Capitalized Charge

It is also the company's policy to capitalize carrying charges such as real estate taxes and interest, the total so dealt with at balance sheet date included in land and development expenses being \$1,972,665. Development expenses also include costs incurred in water supply and sewage, school, roads and streets, and street lighting, less *pro rata* amounts charged to cost of sale of land.

Development in 1963 included a medical-dental centre which is fully leased to four doctors and two dentists. Amenities include three ice rinks and two lacrosse boxes. This year's plans include the provision

of tennis and baseball and an Olympic-size swimming pool.

Current housing development ranges from 'Bramalea Woods' reserved for homes between \$25,000 and \$60,000; 'Bramalea on the Park' - \$19,000 to \$25,000; an apartment house consisting of one- and two-bedroom apartments; and housing for rental. One interesting housing design is the 'Chatelaine Home' with rooms ranged round a courtyard, a style offering outdoor living with privacy - in the right season, of course.

One has to realize that the Canadian winter is really hard and central heating, in Britain something of a semi-luxury, is an absolute 'must' in Canada.

### Plastic Packed

Winter in Ontario is of the severity that brings outdoor construction work to a standstill and for the purpose of assisting employment, a Government scheme of 'Winter Works Bonus' was inaugurated last winter for construction between the months of December 1st and April 1st.

Thus encouraged, the builders, planning for the real winter work, went forward with the early stages,

#### BRAMALEA CONSOLIDATED DEVELOPMENTS LIMITED AND WHOLLY-OWNED SUBSIDIARIES CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT FOR THE YEARS ENDED NOVEMBER 30, 1963 AND 1962

##### INCOME:

	1963	1962
Profit on sales of land and properties	\$ 506,336	\$ 395,950
Profit on sale of revenue-producing properties (Note 8) .. .. .	292,272	—
Profit (loss) from revenue-producing properties .. .. .	120,922	(16,542)
Interest .. .. .	66,557	88,380
Gain on purchase of 6½% Sinking Fund Debentures .. .. .	81,505	20,580
Miscellaneous .. .. .	29,882	76,502
Total income .. .. .	<u>1,097,474</u>	<u>564,870</u>

##### OPERATING EXPENSES:

Operation of water and sewage system	16,644	26,297
Selling and administrative expenses ..	765,014	738,800
Management fees (Note 7) .. .. .	179,447	103,481
Interest and other financial charges (Note 1) .. .. .	124,132	141,344
Total expenses .. .. .	<u>1,085,237</u>	<u>1,010,122</u>

PROFIT (LOSS) FOR THE YEAR .. .. . 12,237 (445,252)

DEFICIT, BEGINNING OF YEAR.. .. . 2,890,969 3,975,717

2,878,732 4,420,969

DEDUCT FINANCIAL AND OTHER EXPENSES CAPITALIZED .. .. . — 1,530,000

DEFICIT, END OF YEAR .. .. . \$2,878,732 \$2,890,969

The accompanying Notes to Financial Statements are an integral part of this statement.

#### BRAMALEA CONSOLIDATED DEVELOPMENTS LIMITED AND WHOLLY-OWNED SUBSIDIARIES NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 1963

##### L Land, Improvements and Houses—Held for Sale

(a) This amount comprises the following:

Land .. .. .	\$ 9,578,951
Development expenses .. .. .	2,225,264
Construction costs on houses .. .. .	1,765,284
	<u>\$13,569,499</u>

(b) To induce industrial organizations to locate in Bramalea, the company, prior to 1961, sold land to three companies for an aggregate of \$37,617 (the proceeds of the sales being credited to development expenses), which was \$310,546 less than the cost of the land. In addition the company is obligated to bear the cost of land development which is estimated to aggregate \$361,100, of which \$173,675 has already been expended and \$187,425 is included in the liabilities in the accompanying balance sheet.

In the opinion of officials of the company, the establishment of these plants in Bramalea stimulated industrial and residential sales and will continue to do so. In accordance with the company's accounting method in the company's present stage of development the losses and costs referred to in the previous paragraph, totalling \$671,646, are included in development expenses and are being amortized over future sales. During the current year \$72,201 was charged to cost of sales, leaving an unamortized balance of \$583,926 at November 30, 1963.

(c) It is the company's policy to capitalize carrying charges such as real estate taxes and interest. The carrying charges included in land and development expenses above amount to \$1,972,665, at November 30, 1963.

Except for the items explained in (b) and (c) above, the amounts shown in the accompanying balance sheet under the caption "Land, improvements and houses—held for sale" are stated at cost.

Development expenses also include costs incurred in construction of water supply system, sewage system, public school, roads and streets, and street lighting system, less *pro rata* amounts charged to cost of sales of land.

##### 2. Deferred Financing Costs

This amount represents the unamortized balance of the financing costs relative to the issuance of the 6½% Sinking Fund Debentures and it is being amortized over the life of the Debentures. The charge to income for the current year is \$39,199.

## NOTES TO FINANCIAL STATEMENTS (Continued)

## 3. Long-term Debt on Revenue-producing Properties

This amount comprises the following:

Deferred payable on a shopping centre ..	\$3,752,025
Mortgages payable .. .. .	2,238,979
Notes payable (due 1972) .. .. .	175,000
	<u>\$6,166,004</u>

## Deferred payable on a shopping centre:

Under the terms of the purchase agreement, the company did not assume the mortgages on a shopping centre at the time of purchase. Instead, the company agreed to make the following payments to the vendor, such payments to equal the principal and interest due under the mortgage obligations of the vendor:

- (a) \$150,000 on the 2nd day of January, 1971 and  
\$100,000 on the 2nd day of January, 1972;
- (b) \$368,844 on the 31st day of October in each of the years 1964 to 1968;  
\$400,844 on the 31st day of October, 1969;  
\$304,474 on the 31st day of October, 1970;  
\$966,557 on the 31st day of October, 1971.

The company received a direction from the vendor to make the actual payments due under the mortgage obligations direct to the mortgagor, such payments being credits against the payments outlined above. As a result, the company has paid \$14,070 of the payment due on October 31, 1964.

## Mortgages payable:

The mortgages mature at various dates up to 1983 and \$93,432 principal amount is due within one year of November 30, 1963.

In addition to the \$6,166,004 above, under the terms of a purchase agreement for a shopping centre, the company is committed to pay in 1972, an amount equal to 15% of the appraised equity value, for mortgage purposes, of the shopping centre at that time. As the amount payable is not now determinable, the amount has not been provided for in the accompanying balance sheet.

## 4. Mortgages on Land

The mortgages mature at various dates up to 1975 and \$44,508 principal amount is due within one year of November 30, 1963.

## 5. 6½% Sinking Fund Debentures

The Debentures are subject to redemption, at the principal amount thereof plus accrued interest, (a) through the operation of the Mandatory Sinking Fund on July 1, 1964 and on any July 1 thereafter to and including July 1, 1973 and (b) through the operation of the Contingent Sinking Fund on July 1, 1963 and on any July 1 thereafter to and including July 1, 1972. As and for the Mandatory Sinking Fund, the company will pay to the American Trustee on or before June 25 in each of the years 1964 to 1973, inclusive, the sum of \$600,000 (U.S. funds) and as and for the Contingent Sinking Fund the company will pay to the American Trustee on or before June 25 in each of the years 1963 to 1972, inclusive, an amount equal to 50% of the Consolidated Net Income (as defined in the Indenture) for the fiscal year immediately preceding such June 25 in excess of \$1,200,000 (Canadian funds). The company may credit against any Sinking Fund payment, Debentures purchased for cancellation or optionally redeemed by it. Subject to provisions for carrying over amounts less than \$25,000, monies paid into the Sinking Fund are required to be applied to the redemption of Debentures on the ensuing July 1.

At November 30, 1963, the company held \$642,953 (U.S. \$623,500) principal amount of its Debentures which has been reflected on the balance sheet as a reduction of the Debenture liability.

## 6. Capital Stock

## Description of Warrants:

Each of the 240,000 regular warrants outstanding entitle the bearer to purchase at any time to and including July 1, 1973 (the expiration date of the warrants) Common Shares (as constituted on July 1, 1961) of the company at \$10 each, subject to adjustment as herein-after mentioned. Warrants are exercisable only in full or in units of two Common Shares (as constituted at the date of exercise) or any multiple thereof.

In addition to the regular warrants, in 1961 the company sold to Shields & Company Common Share Purchase Warrants, expiring July 1, 1966, evidencing the right to purchase an aggregate of 50,000

## NOTES TO FINANCIAL STATEMENTS (Continued)

Common Shares. The purchase price of the Common Shares subject to the warrants is \$11.40 per share to and including July 1, 1964; \$12.10 per share thereafter to and including July 1, 1965; and \$12.80 per share thereafter.

The warrants provide for adjustment of the purchase price and of the number of Common Shares to be purchasable upon the exercise of the warrants upon the occurrence of certain events, including declaration of stock dividends, split-ups, reclassifications and issuance of Common Shares for less than the current warrant purchase price (other than Common Shares issued upon exercise of the warrants or upon the exercise of warrants sold to Shields & Company described previously).

## Dividend Restrictions:

The Indenture provides that, so long as any Debentures are outstanding, neither the company nor any subsidiary will make any Distribution (to be defined to include dividends, purchases, redemptions and reductions in respect of stock of the company and payments of tax on undistributed income under the Income Tax Act (Canada)), unless after giving effect thereto, 50% of Consolidated Net Income for the fiscal year immediately preceding the making of such Distribution in excess of \$1,200,000 is greater than the aggregate amount of Distributions made during the fiscal year in which such Distribution is made.

## 7. Commitments

(a) During the year, by mutual agreement, the contract dated April 1, 1962 with J. W. Galbreath & Company was cancelled. Under this contract dated April 1, 1962, the company was committed to pay the following:

On each January 2, 1964 to 1968 inclusive	\$125,000
On each January 2, 1969 to 1973 inclusive	100,000
On December 31, 1973 .. .. .	100,000

In addition the company was committed to pay 1½% of the sale price of residentially-zoned lands sold at a profit during the period from February 1, 1964 to December 31, 1973.

Under the terms of the new contract dated July 8, 1963, the company is committed to pay \$20,000 per annum for industrial broker services, such payments to be made on January 2, 1964 to 1973 inclusive.

(b) At November 30, 1963 the company was obligated under two long-term leases to pay an aggregate minimum annual rental of approximately \$98,000. The company has no obligations under these leases beyond the year 1983.

(c) At November 30, 1963 the company had commitments less amounts provided aggregating approximately \$100,000 for land, improvements and buildings.

(d) The company is committed to pay for its share of the construction and enlargement of the sewage plant and for the operation and maintenance of public works and utilities. The company's commitments are estimated to be \$330,000, of which \$121,000 has been provided for in the accounts.

(e) By terms of an agreement with the Township of Chinguacousy, the company is obligated to provide industrial and commercial development to approximate 40% of the overall real estate assessment on the developed portion of the Bramalea project. If this requirement is not met the company must pay the real estate tax occasioned by the deficiency, to the Township. In the opinion of the officials of the company no payments will be necessary in 1964 due to the favourable percentage of industrial and commercial development achieved.

8. During the year the company sold a building known as the Industrial Centre Building. This building had been pledged, together with five acres of land, as security for the company's obligations under one of the long-term leases referred to in Note 7 (b). The lessor agreed to release this security and the building was sold for \$615,000. In addition to \$155,000 cash, the company received a \$460,000 non-interest bearing mortgage, payments to be received at the rate of \$13,000 annually for twenty years beginning August 1, 1963, with the balance on May 1, 1983.

The company agreed to lease the building back from the purchaser for twenty years at an annual rental of \$48,000 beginning May 1, 1963.

9. Included in the expenses for the year are depreciation and amortization totalling \$208,475.

10. For purposes of comparison, certain 1962 amounts have been reclassified in the accompanying statements.

especially the below-ground services, before the hard weather set in. Completion was under an enormous polythene cover with a heating system inside. It was, so it is said, one of the strangest sights to see through the polythene men at work in their shirt sleeves, while the outside temperature was well below freezing and everywhere was under snow.

Bramalea's prize industrial 'capture' of the year has been the Ford Motor Company of Canada which

bought sixty acres for a parts depot. Where Ford goes, other businesses likely follow. The predicted total of persons employed in Bramalea industries for 1963, it is stated, has been greatly exceeded.

Summing up progress, in a little over six years with less than a tenth of the area developed, Bramalea has eighteen factories with over three million square feet of factory space, 1,400 private dwellings and a population rising rapidly over the five thousand mark.

## CITY NOTES

TO judge from the performance of the stock-markets, the investing public resolutely refuses to be convinced that this is the time to put money into ordinary shares. Companies may announce higher profits and dividends and may report improving current year business, commentators may insist that the industrial outlook is brilliant and that balance of payment fears are groundless and political fears as well; but the buyers stay home.

The feature of the market – if feature is the correct word – is the fading away of business. Turnover is not exactly down to 'bread and butter' level, it has a long way to fall before that stage is reached, but business certainly does not have the thrust of a couple of months ago.

The reason is largely political. Rightly or wrongly investors distrust a Labour Government and while the political polls consistently give the Labour Party a ten points lead over the Conservatives then no amount of optimistic argument is likely to spur investors to thoughts of buying.

When the investor is not sure what to do he invariably just does nothing. He neither sells nor buys. The result is stock-market stagnation.

It is left to special situations – take-overs, new issues and the like – to attract speculative interest and

to provide a veneer of hardness to a market which looks basically soft underneath.

\* \* \* \*

IMPERIAL CHEMICAL INDUSTRIES' capital spending programme is being pushed ahead still further. The company plans to spend £20 million on increasing fertilizer output, with the scheme entailing attendant expansion of ammonia production. New plant will go up at Severnside and at Billingham. A further £23 million is to be spent on additional nylon polymer plant to make Nylon 66 polymer. This is the raw material for Nylon 66 produced by British Nylon Spinners which is now a wholly-owned I.C.I. subsidiary. British Nylon Spinners' own production capacity will also be increased. A 'multi-million' aromatics plant is also to be built on Tees-side.

Man-made fibres production, although 17.6 per cent up this year on 1963 levels, is still lagging behind demand. On top of strong demand at home the industry's export markets are being successfully broadened. The trade forecast is that supplies may not catch up with demand until the autumn. In some cases supplies to textile – and particularly stocking – manufacturers are having to be pegged.

## RATES AND PRICES

*Closing prices, Wednesday, June 3rd, 1964*

**Tax Reserve Certificates:** interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 <sup>33</sup> / <sub>32</sub>	Frankfurt	11.11 <sup>1</sup> / <sub>2</sub>
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 <sup>3</sup> / <sub>32</sub>	Milan	1747 <sup>1</sup> / <sub>2</sub>
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.11 <sup>1</sup> / <sub>2</sub>	Oslo	19.99
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.31 <sup>1</sup> / <sub>2</sub>	Paris	13.70 <sup>3</sup> / <sub>8</sub>
				Copenhagen	19.31 <sup>1</sup> / <sub>2</sub>	Zürich	12.07
Treasury Bills				Gilt edged			
March 26	£4 6s	0.41d%	May 1	£4 5s	11.91d%	Consols 4%	64 <sup>1</sup> / <sub>2</sub>
April 3	£4 6s	0.12d%	May 8	£4 5s	11.47d%	Consols 2½%	40 <sup>13</sup> / <sub>16</sub> xd
April 10	£4 6s	0.25d%	May 15	£4 7s	3.60d%	Conversion 6% 1972	105 <sup>1</sup> / <sub>2</sub>
April 17	£4 6s	0.41d%	May 22	£4 7s	8.75d%	Conversion 5½% 1974	98 <sup>1</sup> / <sub>2</sub>
April 24	£4 6s	0.47d%	May 29	£4 7s	6.17d%	Conversion 5% 1971	99 <sup>13</sup> / <sub>16</sub>
Money Rates							
Day to day	3½–4½%	Bank Bills		Conversion 3½% 1969	92 <sup>1</sup> / <sub>16</sub>	Funding 3% 59–69	90 <sup>11</sup> / <sub>16</sub>
7 days	3½–4½%	2 months	4 <sup>1</sup> / <sub>16</sub> –4 <sup>5</sup> / <sub>16</sub> %	Conversion 3½% 1974	56 <sup>1</sup> / <sub>2</sub>	Savings 3% 60–70	87 <sup>1</sup> / <sub>16</sub>
Fine Trade Bills		3 months	4 <sup>1</sup> / <sub>16</sub> –4 <sup>5</sup> / <sub>16</sub> %	Funding 5½% 82–84	97 <sup>1</sup> / <sub>2</sub>	Savings 3% 65–75	79 <sup>1</sup> / <sub>2</sub>
3 months	5½–6½%	4 months	4 <sup>1</sup> / <sub>16</sub> –4 <sup>5</sup> / <sub>16</sub> %	Funding 4% 60–90	93 <sup>1</sup> / <sub>2</sub>	Savings 2½% 64–67	93 <sup>1</sup> / <sub>16</sub>
4 months	5½–6½%	6 months	4 <sup>1</sup> / <sub>16</sub> –4 <sup>5</sup> / <sub>16</sub> %	Funding 3½% 99–04	64 <sup>1</sup> / <sub>16</sub>	Treas'y 5½% 2008–12	91 <sup>1</sup> / <sub>16</sub>
6 months	6–7%			Funding 3% 66–68	91 <sup>1</sup> / <sub>2</sub>	Treas'y 5% 86–89	87 <sup>1</sup> / <sub>16</sub>
						Treas'y 3½% 77–80	76 <sup>1</sup> / <sub>16</sub>
						Treas'y 3½% 79–81	76 <sup>1</sup> / <sub>2</sub>
						Treas'y 2½%	41
						Victory 4%	98
						War Loan 3½%	56 <sup>1</sup> / <sub>2</sub>



## THE ACCOUNTANT ANNUAL AWARDS

for 1964

Presentations by the Chairman of the  
Council of the London Stock Exchange

**T**HE ACCOUNTANT Annual Awards for 1964 for company reports and accounts were presented by The Rt Hon. Lord Ritchie of Dundee, Chairman of the Council of The Stock Exchange, London, at Grocers' Hall last Tuesday, in the presence of a large and distinguished company representing the City, the professions, commerce and industry.

Mr Percy F. Hughes, Editor-in-chief of *The Accountant*, presided, and also on the platform were the representatives of the winning companies, Mr J. B. Upton, M.B.E., Chairman of Reckitt & Colman Holdings Ltd, and Mr Eric W. Pasold, O.B.E., Chairman of Pasolds Ltd, together with Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President, The Institute of Chartered Accountants in England and Wales; Mr J. W. Dallachy, M.A., C.A., President, The Institute of Chartered Account-

ants of Scotland; Mr John Love, F.C.A., President, The Institute of Chartered Accountants in Ireland; Mr Reginald Statham, C.B.E., J.P., F.A.C.C.A., President, The Association of Certified and Corporate Accountants; Mr C. E. Power, F.C.A., F.C.W.A., A.M.B.I.M., President, The Institute of Cost and Works Accountants, and the following members of the Panel of Judges of *The Accountant* Annual Awards: Mr A. S. H. Dicker, M.B.E., F.C.A.; The Hon. J. F. H. Baring; Mr W. G. Campbell, B.A., F.C.A.; Mr J. E. Harris, B.COM., F.A.C.C.A.; Mr J. A. Hunter, M.B.E., T.D.; Mr Ian T. Morrow, C.A., F.C.W.A.; Mr Hilary Scott; Mr Arthur E. Webb, Editor of *The Accountant*, and Mr Peter Chapman, Secretary of *The Accountant* Annual Awards.

The names of those who accepted invitations appear on other pages.

### The Chairman's Address

Opening the proceedings, Mr Percy F. Hughes said that it was with the greatest possible pleasure that he welcomed those present on the eleventh occasion of the presentation of *The Accountant* Annual Awards. He went on to express appreciation of the continued support given by the commercial community of the City of London in connection with the Awards scheme, and particularly by the leaders of the accountancy profession; he extended a warm welcome to the Presidents of five of the accountancy bodies who were present and also to the distinguished representatives of many other professional bodies.

Continuing, Mr Hughes, said:

'Once again, I am greatly indebted to the members of the Panel of Judges for all the time which they devote quite voluntarily to this work in order that our Awards are made as a result of a very careful sifting of a large number of accounts by an impartial tribunal. After several years of service with the Panel, Mr C. D.

Gairdner and Mr A. W. Giles, retired from the Panel last year and I would express to them my special thanks for everything they did, each over a period of four years. In their places this year, we have been fortunate in having as members Mr R. Adams, a member of The Institute of Chartered Accountants of Scotland, and the Hon. J. F. H. Baring, a managing director of Baring Brothers. The other members of the Panel who have again given devoted service have been Mr W. G. Campbell, Mr A. S. H. Dicker, Mr J. A. Hunter, Mr J. E. Harris, Mr Ian T. Morrow, Mr Hilary Scott, Sir Richard Yeabsley and Mr Arthur Webb.

#### Tribute to the late Mr Kenneth Mackinnon

'The Panel has, however, suffered a very severe blow as a result of the sudden death on April 30th of Mr Kenneth W. Mackinnon, Q.C. No words of mine can express adequately my gratitude to him for everything he did to ensure that our Awards scheme achieved its

objective. Kenneth Mackinnon served the Panel as Chairman for five years and the work of this year's Panel had been completed only a week prior to his death. He had a very distinguished career at the Bar and served on the Jenkins Committee on company law reform, but we of *The Accountant* have admired the quiet, efficient and always good humoured way in which he led the work of our Panel of Judges. His devotion and keenness for this work and the firmness and painstaking care with which he tackled it has, I know, been an inspiration to all the members of the Panel.

'Those of you who have been present on previous occasions will have heard Kenneth Mackinnon speak of the work of the Panel and may, therefore, appreciate in some small measure how much he will be missed in this particular sphere. To Mrs Mackinnon I would express our very sincere sympathy in her grievous loss.

#### New Chairman

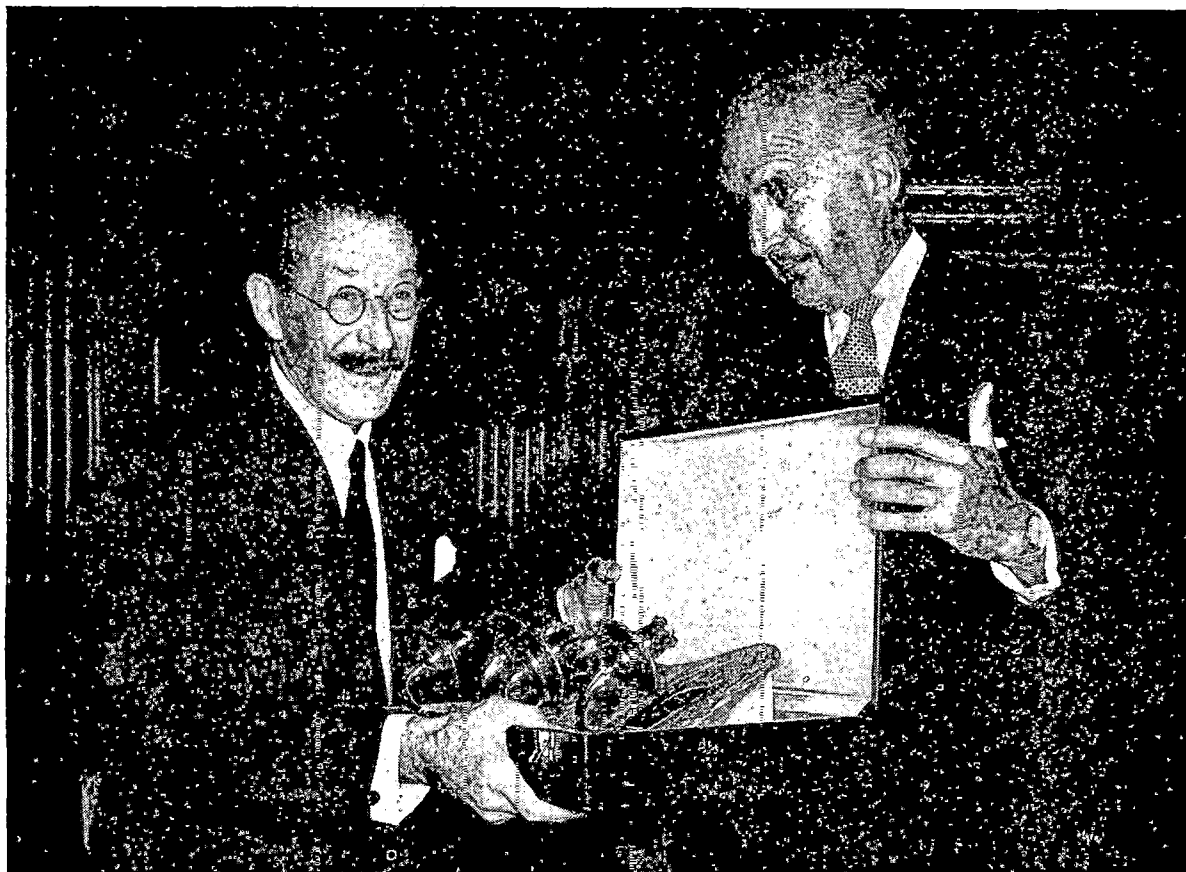
'I believe that this work must go on and that the best possible practice in the form and content of company accounts should not be confined to the minimum which the law requires. We will continue to strive for the continuous improvement of accounts and I am pleased to be able to tell you that my very old friend, Mr Roy Borneman, Q.C., has accepted my

invitation to serve as Chairman of the Panel for the coming year. It is my earnest hope that under his wise guidance the Panel will continue to encourage perfection in this field.

'I would like also to thank Mr Peter Chapman, who has served the Panel as Secretary since this work began.

'To Mr J. B. Upton and Mr Eric W. Pasold, I would express my congratulations. They are the Chairmen of the two companies that have been successful this year. I know, of course, that a great deal of team-work goes into the preparation of the accounts of public companies and all those concerned with the preparation of the accounts both of Reckitt and Colman Holdings Ltd and Pasolds Ltd, are to be congratulated on the most excellent standard which has been achieved.

'To you, Lord Ritchie, I would express my thanks for your kindness in agreeing to come today to make the presentations this year. As Chairman of the Council of the Stock Exchange of London, you are well aware of the need to strive continuously for accounts which are informative so that all investors, both those with commercial knowledge and those without, may be the better able to appreciate the message which they should convey. We are greatly honoured by your presence and the great encouragement which this gives to us who are responsible for the scheme.' (*Applause.*)



Mr J. B. Upton, M.B.E., Chairman of Reckitt & Colman Holdings Ltd, receives his company's Award from Lord Ritchie.



Lord Ritchie presenting the Award for Pasolds Ltd to Mr Eric W. Pasold, O.B.E., Chairman of the company.

## Lord Ritchie of Dundee

Presenting the Awards, Lord Ritchie said:

'I am very pleased to have been asked to present these prizes today. Firstly I would like to endorse everything that Mr Hughes has said about Kenneth Mackinnon. We at the Stock Exchange, too, have greatly benefited in the past from his expert advice and held him in high esteem as a wise counsellor.

'I do think that very great progress has been made in recent years in the presentation of companies' accounts. I would like to offer my congratulations to *The Accountant* and to companies and their individual accountants generally. They have initiated and adopted a new attitude towards the presentation of accounts and a more sympathetic understanding of the needs of shareholders. This year's Panel of Judges have pointed out certain points – tactfully described as weaknesses – in the many reports and accounts that they have judged. These weaknesses – lack of information on the nature of the business and subsidiaries and so on – are all faults that we at the Stock Exchange would also like to see eliminated.

### New Investors

'Patterns of share ownership are changing rapidly. The number of persons interested in stocks and

shares, either directly or as holders of units of unit trusts, or through investment clubs, is increasing each day. Those concerned with the presentation of reports and accounts should bear in mind that new shareholders need help in understanding documents issued by companies. I know that we are constantly asking for more information to be given at more frequent intervals, and no doubt we shall go on asking; but as far as the general public is concerned, in these days when everybody has so much to read, I believe that as much care should be taken as possible to cut out unnecessary matter from a report and reduce technical jargon. Simplicity and clarity are essential.

'The time will surely come when learning how to understand a prospectus and balance sheet should be a subject in general education.

### Share Transfer Procedure

'I should like to say a word of thanks to companies and particularly their registrars about the working of the new transfer system. Of course this system has had its teething troubles, but its success is largely the result of the co-operation of those concerned. In the interest of simplification of the transfer procedure it is



encouraging to note that nearly two thousand companies have decided to dispense with the transfer fee on the registration of their securities.

Finally, we are very glad to see that more and more companies are deciding to make important announcements before 3 p.m. If companies can hold their

meetings at such a time as to enable them to do this, it is easily the best way of ensuring that information reaches as many people as possible as quickly as possible.

'And now I must offer my congratulations to the winners of the Awards on their success.' (*Applause.*)

## Acknowledgements of the Presentations

In acknowledging the presentation made to his company, Mr J. B. Upton, M.B.E., Chairman of Reckitt & Colman Holdings Ltd, said:

'This is an honour I never expected. Apart from thanking *The Accountant* for the very beautiful presentation, I would like to thank all those of my colleagues and my staff who have made it possible for me to be standing here and receiving my company's Award.

'It is quite true that we have conscientiously tried to improve the presentation and the contents of the report and accounts we publish; but our attempts to improve our accounts were in no way inspired by a desire to win this Award, glad as we are to have it. They were, in Lord Ritchie's words, I think, attempts to tell our story better than we have done in the past to those who receive our accounts. And in approaching that problem we had to consider to whom we were telling the story. The answer is quite clear to everybody here – our shareholders; but that is not the whole story, because we also send exactly the same information to over ten thousand of our employees, and we want them to understand it too.

'We accordingly analysed, probably not very deliberately, the type of people who were going to read these accounts. There are, of course, the experts; they want – in a hurry – the essential facts of the case; if there is anything they query, either because they suspect it or because they think it is good, they want to find an explanation quickly, possibly in technical terms. They are the people who explain *via* the Press, or by private advice, to the less erudite what it all means.

'There are also those who intend to read the whole thing through, and they want the story told simply, understandably, and those technical bits of jargon

that cannot be left out explained – so far as they are explicable.

'Now, in preparing the contents of the report and accounts we were, of course, helped by a great number of people who have given us the benefit of their advice; in particular, our brokers and, of course, most important of all, our auditors. Advice also came from our own accountancy department – principally our finance officer – and from our secretarial department, and even from the boardroom.' (*Laughter.*)

'Some of the advice we got was gratuitous, some deliberately sought, and some, of course, forced upon us. We accepted what we thought was wise – perhaps not always correctly – and rejected what we thought we did not like; but in the end I think we have improved the type of information which we think those who receive our report would like to have.

'But never did I expect that I would be saying "thank you" to *The Accountant* for this very beautiful Award. Thank you very much.' (*Applause.*)

Mr Eric W. Pasold, O.B.E., Chairman of Pasolds Ltd, acknowledging the presentation to his company said:

'We are intrigued and most agreeably surprised to have won this Award.

'Different people look at annual reports through different eyes. There are our shareholders, ordinary men and women, amongst them many mothers who invest in our company because their children wear "Ladybird" clothes.

'Generally speaking they are bored or even scared by financial statements and balance sheets. They prefer to read the supplementary pages, contemplate the charts and look at the photographs.

'The gentlemen in the City are a very different group. They like to read between the lines – which is why we leave spaces in the text. (*Laughter.*) And we provide coloured pictures for them. We are told they draw valuable conclusions from the expressions on the faces of our little 'Ladybirds'. (*Laughter.*)

'Finally there are the accountants and economists, the financial analysts and correspondents. Figures are their daily bread. They actually study the profit and loss account and the balance sheet and digest it.

'Our company secretary, Mr Gibson and his team, and our auditors, Messrs Westcott Maskall & Co, provide these figures in a most admirable form. But I am not altogether sure that they approve of the coloured pictures. They watch most carefully that none of the Ladybirds overspill on the financial pages! (*Laughter.*)

'We are conceited enough to think that our annual reports are exceptionally good, but not in our wildest dreams dared we hope that your august Panel of Judges would share our opinion. We are deeply honoured and we thank you most sincerely for this wonderful Award.' (*Applause.*)



Mr A. S. H. Dicker, M.B.E., F.C.A., a member of the Panel of Judges, and Mrs Dicker, are received by the Editor-in-Chief.



Mr Hilary Scott and Mr J. A. Hunter, M.B.E., T.D., members of the Panel of Judges, with Mr J. B. Upton, Mrs Scott and the Hon. J. F. H. Baring, also a Panel member.



Mr C. E. Power, F.C.A., F.C.W.A., A.M.B.I.M., President, The Institute of Cost and Works Accountants, and Mrs Power, with Mr Percy F. Hughes, Editor-in-Chief of *The Accountant*, and Mrs Hughes.



Mr Eric W. Pasold, O.B.E., Chairman of Pasolds Ltd (*centre*) holds his company's Award with (*to his right*) Mr J. H. Gibson, F.C.A., Secretary of the company, and Mr W. J. Ausin, F.C.A., Secretary of Ladybird Ltd, and (*to his left*) Mr G. Lonsdale, F.C.A., auditor to the company, and Mr P. J. W. Cross, A.C.A., of the company's accounting department.

## The Work of the Panel of Judges

Mr A. S. H. Dicker, M.B.E., F.C.A., a member of the Panel of Judges, spoke on the work of the Panel. He said:

'Many sympathetic references have been and are being made to the memory of Mr Kenneth Mackinnon, and I know that is the wish of my colleagues on this Panel to add today our personal tribute to one who guided us so understandingly during the years of his chairmanship.

'Kenneth Mackinnon was a wise counsellor, a generous and patient chairman, a colleague of exceptional friendliness, and a great gentleman.

'Memories of those happy meetings in his chambers in Stone Buildings will remain with us for many years. We shall miss him very much. Our sincere sympathy goes out to his widow and her family.

'Fortunately he was with us at the last meeting of the Panel, just a week before he died, so that we had the benefit of his leadership in coming to our final decisions.

'At that meeting he also discussed with us a general outline of the form in which his report today would have been. From notes made at that discussion and from a letter I received from him the day before he died I am happy to know that I am making some of the comments he would have made.

### Fine Achievement

'His first reference would be to the winners of this year's Awards, and accordingly on behalf of the Panel I would like to congratulate Reckitt & Colman and Pasolds on their well deserved success. Out of

1,200 entries it is no small achievement to be the holders of such distinctions and those responsible must be well satisfied with their efforts.

'This year again we decided not to make Awards to previous winners, but we were pleased to see that those submitted followed the high standard which earned their Awards in earlier years, and we hope that they will continue to send them in. In this connection we consider that the report and accounts of Unilever, who won the award in 1955, should be especially mentioned for the extent of the information given concerning their overall activities during the year under review.

### Greatly Improved Standard

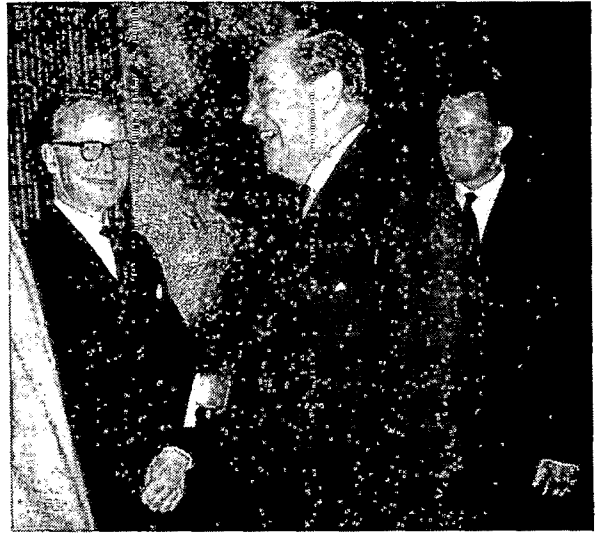
'Generally we are satisfied that since the introduction of these Annual Awards there has been a decided improvement in the standard of annual reports and that there is an obvious tendency to publish more and more information and to present accounts in forms more easily intelligible to interested persons and especially to the 'man-in-the-street' shareholder.

'Many interesting and varied innovations in the reports were noticeable, even to the extent of including 'A message from the Chairman' in vocal form, in a pocket in the end cover.

'You will have observed that this year we have made an innovation in issuing with the announcement of the winners in *The Accountant* of May 16th a short memorandum indicating some points which we consider to be weaknesses in many cases. I do not propose to repeat them but it is hoped that these comments will



Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., President of the English Institute, with Mr J. W. Dallachy, M.A., C.A., President of the Scottish Institute.



Mr Arthur E. Webb, the Editor, greeting Mr W. Guy Densem, F.C.A., Vice-President, The Institute of Chartered Accountants in England and Wales.

be appreciated and found to serve a useful purpose.

'I am going to end in the way I know Mackinnon intended to end, with a reference to an observation from an unexpected quarter – an editorial paragraph in a weekly journal, which from its title is principally addressed to ladies.

'I have the permission of the Lady Editor and writer of the paragraph, so with due acknowledgement I quote:

"Annual reports: The inheritance of shares in a certain small number of concerns has set us, for the first time, reading companies' annual reports. These are flattering to the ego – it's strange to feel that *Your Company* and *Your Directors* are *ours*, if you see what we mean. But

it's disconcerting that one can never – well, hardly ever – discover from the report what the company *does*. Sometimes, of course, one happens to know; but if not, and the company's name is enigmatic, one can read reports from end to end without being given any notion of what one's directors are so efficient about. The company that says, with pride, 'last year your company surfaced fifty thousand miles of road – provided bricks for so many thousand houses – supplied a million detergent cartons –' or what have you, doesn't, apparently, exist. It would be nice if it were the work as well as the balance sheet that counted."

'It is intriguing to know that a paper primarily devoted to the fair sex has drawn attention to the first



Mr J. E. Harris, B.COM., F.A.C.C.A., a member of the Panel of Judges, with Mrs C. E. Power, and Mr Reginald Statham, C.B.E., J.P., F.A.C.C.A., President, The Association of Certified and Corporate Accountants.

weakness mentioned in our published memorandum.

'In conclusion I wish to thank the Secretary of the Panel, Mr Peter Chapman, and his backroom boys for the very efficient way in which they have prepared for the detailed work of the Panel and their careful attention to our requirements.' (*Applause.*)

## Guests at the Presentation Ceremony

MR WILFRID G. ADAMS, F.C.A., and MRS ADAMS  
MR S. W. ALEXANDER, M.B.E., *Editor, City Press*  
MR G. F. ANSELL, F.C.A., and MRS ANSELL  
MR P. LIVINGSTONE ARMSTRONG, F.C.A.  
MR M. C. ASHILL, F.C.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS ASHILL  
MR CHARLES W. ASTON, F.C.A.  
MR S. E. BANKS and MRS BANKS  
MR LEONARD BARFORD, *Chief Inspector of Taxes, Board of Inland Revenue*, and MRS BARFORD  
MR A. A. BARGER, F.C.A., and MRS BARGER  
THE HON. J. F. H. BARING  
MR W. L. BARROWS, LL.D., F.C.A., and MRS BARROWS  
PROFESSOR W. T. BAXTER, B.COM., C.A., and MRS BAXTER  
MR T. A. HAMILTON BAYNES, M.A., F.C.A., and MRS HAMILTON BAYNES  
MR R. T. BELL, *an Assistant Secretary, The Association of Certified and Corporate Accountants*  
MR C. J. M. BENNETT, B.A., F.C.A., and MRS BENNETT  
SIR HENRY BENSON, C.B.E., F.C.A., and LADY BENSON  
MR RICHARD BERENS, *The Daily Telegraph*  
MR STANLEY J. D. BERGER, O.B.E., M.C., F.C.I.S., and MRS BERGER  
MR C. C. BIGG, F.C.A., and MRS BIGG  
MR WALTER BIGG, F.C.A., and MRS BIGG  
MR ERIC A. BLAND, D.S.O., F.C.A., and MRS BLAND  
MRS G. BOLE  
MR T. BOLTON, A.C.I.S.  
MR ANDREW BREACH, F.C.I.S., *Chairman, The Building Societies Association*, and MRS BREACH  
MRS PADDIE BROSNAN, *Editor, The British Manufacturer*  
MR WILLIAM J. BROWN and MRS BROWN  
MISS V. M. BURTON, F.C.A.  
MR T. A. BUTLER, A.C.A., and MRS BUTLER  
MR W. G. CAMPBELL, B.A., F.C.A.  
MR KEITH S. CARMICHAEL, F.C.A., and MRS CARMICHAEL  
MR R. J. CARTER, B.COM., F.C.A., *Secretary, The Chartered Accountant Students' Society of London*, and MRS CARTER  
MR COLIN S. W. CASSIE, *The Accountant*  
MRS PETER CHAPMAN



Mr Percy F. Hughes welcoming Mr E. H. V. McDougall, Secretary, The Institute of Chartered Accountants of Scotland, and Mrs McDougall.

## Welcome to the Guests

Mr Arthur E. Webb, Editor of *The Accountant*, extended a welcome to the many guests who were present and referred particularly to those who were attending from overseas.

COLONEL RANDOLPH A. CHELL, D.S.O., O.B.E., M.C.  
MR V. R. CHENNEL, F.A.C.C.A., *Immediate Past President, The Association of Certified and Corporate Accountants*, and MRS CHENNEL  
MR A. F. CHICK, F.C.A., and MRS CHICK  
MR BRIAN O. CHILVER, A.C.A., and MRS CHILVER  
MR G. H. CLEMENTS and MRS CLEMENTS  
MR A. G. COATEN and MRS COATEN  
MR J. W. G. COCKE, T.D., M.A., F.C.A., *Secretary, London and District Society of Chartered Accountants*, and MRS COCKE  
DR SYLVIA COLLINGWOOD, M.B., CH.B.  
MR RICHARD COLLIN-SMITH, *Editor, Business Equipment Digest*, and MRS COLLIN-SMITH  
MR H. SIMPSON COOK, LL.B., F.C.I.S., and MRS COOK  
MR W. H. R. COOK  
SIR NIGEL COLMAN, Bt, and LADY COLMAN  
MR J. M. COOPER, A.A.C.C.A., A.C.I.S., *Assistant Editor, Taxation*, and MRS COOPER  
MR S. V. P. CORNWELL, M.C., M.A., F.C.A., and MRS CORNWELL  
MR J. L. COUSINS, F.C.C.S., *Secretary, The Institute of Office Management*, and MRS COUSINS  
MR G. CRAVEN, *The Stock Exchange Gazette*  
MR J. W. DALLACHY, M.A., C.A., *President, The Institute of Chartered Accountants of Scotland*  
MR G. F. DARGAVEL, and MRS DARGAVEL  
MR J. O. DAVIES, F.C.A., A.C.W.A., *Director, resident in London, The Institute of Auditors*, and MRS DAVIES  
MR WILLIAM DAVIS, *City Editor, Evening Standard*, and MRS DAVIS  
MR W. GUY DENSEM, F.C.A., *Vice-President, The Institute of Chartered Accountants in England and Wales*, and MRS DENSEM  
MR R. DEVEY and MRS DEVEY  
MR A. S. H. DICKER, M.B.E., F.C.A., and MRS DICKER  
MR G. S. H. DICKER, M.B.E., T.D., D.L., F.C.A.  
MR D. N. DOW, B.COM., C.A., A.C.W.A., A.M.I.I.A.  
MR DEREK DU PRÉ and MISS JACQUELINE DU PRÉ  
MR K. B. EDWARDS  
MR E. W. ELDRIDGE, O.B.E., *Public Trustee*, and MRS ELDRIDGE  
MR NORMAN CASSLETON ELLIOTT, M.A., F.C.A., and MRS CASSLETON ELLIOTT  
MR R. A. EMMOTT, B.SC.(ECON.), A.I.M.T.A., *an Assistant Secretary, The Institute of Municipal Treasurers and Accountants*  
SIR GEORGE ERSKINE, C.B.E.  
MR C. A. EVAN-JONES, M.B.E., *Joint Secretary, The Institute of Chartered Accountants in England and Wales*, and MRS EVAN-JONES  
MR L. J. EZRA, F.C.A.  
MR F. H. H. FINCH, B.A., *Appointments Officer, The Institute of Chartered Accountants in England and Wales*  
MR W. J. FINDLAY, C.A., and MRS FINDLAY  
MR E. D. FOSTER, *Editor, The Director*, and MRS FOSTER  
MR G. FOSTER, *Assistant Editor, The Manager*  
MISS MARGARET FOX, F.C.A.  
MR R. E. FRYER  
MR C. D. GAIRDNER, C.A., and MRS GAIRDNER  
MR SYDNEY GAMPELL, *Financial Editor, Reuters Limited*  
MR C. G. GARRATT-HOLDEN, C.B.E., T.D., B.A., M.COM., *Secretary-General, International Union of Building Societies and Savings Associations*, and MRS GARRATT-HOLDEN  
MR R. J. GEE, LL.B., M.I.T.M.A.



The Editor-in-Chief, Mr Percy F. Hughes, receiving Sir Halford and Lady Reddish.

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 Miss E. HALL  
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 Mr JAMES HART  
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 Mrs PERCY F. HUGHES  
 Mr J. A. HUNTER, M.B.E., T.D., and Mrs HUNTER  
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 Mr LESLIE A. W. JENKINS, *President, National Association of British Manufacturers*, and Mrs JENKINS  
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 Mr ALAN C. LUCAS, F.C.A.  
 Mr ROBERT LYALL and Mrs LYALL  
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 Mr J. W. MARGETTS, F.C.A., and Mrs MARGETTS  
 Mr A. D. MARRIS, C.M.G., and Mrs MARRIS  
 Mr CLIVE E. MARTIN and Mrs MARTIN  
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 SIR DAN MASON, O.B.E., *Director, Reckitt & Colman Holdings Ltd*  
 Mr R. P. MATTHEWS, J.P., B.COM., F.C.A., and Mrs MATTHEWS  
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 Mr D. J. MCBRIDE, A.C.I.S., *Assistant Secretary, Gee & Co (Publishers) Ltd*, and Mrs MCBRIDE  
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 Mr R. MOORHOUSE, F.C.A., and Mrs MOORHOUSE  
 Mr IAN T. MORROW, C.A., F.C.W.A., and Mrs MORROW



Mr Arthur E. Webb, the Editor, welcomes Miss Margaret Fox, F.C.A.

MR KENNETH S. MOST, LL.B., F.C.A., and MRS MOST  
MR R. C. MUNYARD, A.C.A.  
MR G. W. MURPHY, B.A.(COM.), F.C.A., and MRS MURPHY  
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MR ERIC W. PASOLD, O.B.E., *Chairman and Joint Managing Director, Pasolds Ltd*  
MR R. PASOLD, *Joint Managing Director, Pasolds Ltd*, and MRS PASOLD  
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MR J. A. PHILPOTT, M.B.E., F.A.C.C.A., F.C.I.S.



Mr Percy F. Hughes receiving Mr E. W. Eldridge, O.B.E., Public Trustee, and Mrs Eldridge.

MR C. E. POWER, F.C.A., F.C.W.A., A.M.B.I.M., *President, The Institute of Cost and Works Accountants*, and MRS POWER  
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MR W. RANDALL, *Gee & Co (Publishers) Ltd*, and MRS RANDALL  
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MISS M. J. D. REYNOLDS, B.A., *an Under-Secretary, The Institute of Chartered Accountants in England and Wales*  
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MR GORDON RICHARDSON, M.B.E., and MRS RICHARDSON  
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THE RT HON. LORD RITCHIE OF DUNDEE, *Chairman of the Council of The Stock Exchange, London*  
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SIR THOMAS ROBSON, M.B.E., M.A., F.C.A.  
MR ALAN F. ROYLE, *Press Officer, Board of Inland Revenue*

MR J. D. RUSSELL, M.A., F.C.A., and MRS RUSSELL  
MR T. W. SALLITT, B.A., F.C.A., *Chief Accountant, Reckitt & Colman Holdings Ltd*, and MRS SALLITT  
MR R. H. SAMPSON  
MR A. LE M. SCOTT and MRS SCOTT  
MR HILARY SCOTT and MRS SCOTT  
MR PATRICK SERGEANT, *City Editor, Daily Mail*, and MRS SERGEANT  
MR W. K. M. SLIMMINGS, C.B.E., C.A., *Chairman, The Association of Scottish Chartered Accountants in London*  
MR P. E. SMART, LL.B., and MRS SMART  
MR STANLEY W. SMILES, F.C.A., and MRS SMILES  
MR KENNETH SMITH, F.C.A.  
MISS ISABEL SNELLING  
MISS VERA SNELLING, *Director, Gee & Co (Publishers) Ltd*  
MR CHARLES R. SOPWITH, F.C.A., *Solicitor, Inland Revenue*, and MRS SOPWITH  
MR J. R. SPAREY, M.A., *an Assistant Secretary, The Association of Certified and Corporate Accountants*, and MRS SPAREY  
MR R. J. W. STACY, C.B., *Under-Secretary, Board of Trade*, and MRS STACY  
MR REGINALD STATHAM, C.B.E., J.P., F.A.C.C.A., *President, The Association of Certified and Corporate Accountants*  
MR DAVID STEELE, F.C.A., and MRS STEELE  
MR CHARLES S. STEPHENS, F.C.A., and MRS STEPHENS  
MR M. F. STONEFROST, F.I.M.T.A., D.P.A., *Secretary, The Institute of Municipal Treasurers and Accountants*  
MR PHILIP SYRETT, *Executive Secretary, Wider Share Ownership Council*  
MR WALTER TAPLIN, M.A., B.COM., *Editor, Accountancy*, and MRS TAPLIN  
MR MAURICE TATTERSFIELD, F.C.A., and MRS TATTERSFIELD  
MR A. G. THOMAS, F.C.A.  
MISS L. I. M. THOMAS, LL.B.(LOND.)  
MR HUGH W. THOMSON, *Librarian, The Institute of Chartered Accountants in England and Wales*, and MRS THOMSON  
MR W. H. TREGASKES and MRS TREGASKES  
MR R. A. TYSSON-GEE, F.C.A., *Investors Chronicle*  
MR J. B. UPTON, M.B.E., *Chairman, Reckitt & Colman Holdings Ltd*  
MISS D. M. VAUGHAN, B.A., F.C.A.  
MR R. S. WALDRON, F.C.A., and MRS WALDRON  
MR C. D. WALKER-ARNOTT, F.C.A., and MRS WALKER-ARNOTT  
MR H. M. WHALLEY  
MR FRANCIS WHITMORE, *City Editor, The Daily Telegraph*  
MR ALASTAIR WARREN, *The Glasgow Herald*  
MRS ARTHUR E. WEBB  
MR DAVID WEBSTER, *The Economist*  
MR J. C. MONTGOMERY WILLIAMS, F.C.A., and MRS MONTGOMERY WILLIAMS  
MR E. F. G. WHINNEY, M.A., F.C.A., and MRS WHINNEY  
MR P. E. WHITWORTH, B.A., and MRS WHITWORTH  
MR I. S. WICK, A.C.A.  
MRS HILDA WILSON  
MR J. P. WILSON, F.C.W.A., *Vice-President, The Institute of Cost and Works Accountants*  
MR R. P. WINTER, C.B.E., M.C., T.D., D.L., F.C.A., *President, The Institute of Chartered Accountants in England and Wales*, and MRS WINTER  
MR E. KENNETH WRIGHT, M.A., F.C.A., and MRS WRIGHT  
SIR BRUCE WYCHERLEY, Kt, M.C., F.C.I.S., *President, Abbey National Building Society*, and LADY WYCHERLEY  

Accountancy	Taxation
Business	The British Manufacturer
Business Equipment Digest	The Daily Telegraph
City Press	The Director
Daily Mail	The Economist
Evening Standard	The Financial Times
Investors Chronicle	The Glasgow Herald
Northcliffe Newspapers Group	The Scotsman
Press Association	The Stock Exchange Gazette
Reuters Ltd	



# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Company Directors' Longevity

SIR, - You may be interested to hear of a client company whose directors' circumstances, while probably not unique, are certainly very unusual. The position is that the eldest director and his son, both still actively interested in the company's affairs, are both of an age to qualify for age relief!

The company was formed by the present senior director's father, who would be born around the 1840s. The founder's son has recently celebrated his ninetieth birthday, having been born in 1874, while his son is now 65, having been born in 1898. As previously mentioned, each of these two is still a working director, if only part-time.

The founder's great-grandson, a mere lad in his thirties, is the principal working director, while his son is only about 4 years old and has to wait a few years before he takes his place on the board!

We do feel this is quite an unusual state of affairs for a family business, there being three male generations, all active, with another younger one awaiting his turn.

Yours faithfully,

R. F. GOULD & CO.

Derby.

## The Science of Price-fixing

SIR, - In his article 'The science of price-fixing' (May 23rd issue) Mr E. J. Broster shows very little understanding of the relationship between competition, elasticity of demand and marginal revenue. Whereas the competitive position of a firm remains fairly constant regardless of the volume of sales achieved by the firm, the elasticity of demand is very high when the volume of sales is very low, and is very low when the volume of sales is very high.

The competitive position of a firm is indicated by the shape of the demand curve confronting the firm. The more concave the demand curve, the greater the monopolistic position of the firm; the more convex the demand curve, the greater the competitive position of the firm. The position mid-way between monopoly and competition is represented by the downward sloping straight line which is much less rare than Mr Broster suggests on page 656.

If there is hardly any connection between elasticity of demand and the competitive position of a firm,

there is a very close relationship between elasticity of demand and marginal revenue.

Elasticity of demand is the response of volume of sales to an independent change of unit selling price and can be illustrated as follows:

Let  $P_1$  be the first unit price

Let  $V_1$  be the first volume of sales corresponding to  $P_1$  unit price

Let  $P_2$  be the second unit price

Let  $V_2$  be the second volume of sales corresponding to  $P_2$  unit price

Elasticity of demand ( $e_2$ ) is

$$\frac{P_1[V_2 - V_1]}{V_2[P_1 - P_2]}$$

Marginal revenue is the change of proceeds of sales consequent upon an independent change of unit selling price, and can be illustrated as being

$$MR_2 = P_2 V_2 - P_1 V_1$$

If  $P_2 V_2 - P_1 V_1$  is shown as  $P_1 V_2 - P_1 V_1 - [P_1 V_2 - P_2 V_2]$  or better still as  $P_1[V_2 - V_1] - V_2[P_1 - P_2]$  then the relationship with elasticity of demand

$$\frac{P_1[V_2 - V_1]}{V_2[P_1 - P_2]}$$

can be clearly demonstrated.

Both elasticity of demand and marginal revenue measure the same thing, but whereas elasticity of demand is a quotient, marginal revenue is a difference.

If we let  $V_2 - V_1 = 1$

then  $MR_2 = P_1 - V_2[P_1 - P_2]$

and  $e_2 = \frac{P_1}{V_2[P_1 - P_2]}$

i.e.  $e_2 = \frac{P_1}{P_1 - MR_2}$

or alternatively

$P_1 = e_2 P_1 - e_2 MR_2$

i.e.

$$P_1 = \frac{MR_2 e_2}{e_2 - 1}$$

This result should be compared with Mr Broster's

formula of  $P_m = \frac{ae}{e-1}$  which for  $P$  in general is

$$P = \frac{MR_e}{e-1}$$

This formula we are assured has been analytically proved both in his own publication *Cost Demand and Net Revenue Analysis* as well as in Joan Robinson's *The Economics of Imperfect Competition*.

The geometric proof in *The Economics of Imperfect Competition* assumes that the proof in Alfred Marshall's *Principles of Economics* is correct when in



fact it is not. For those interested, Marshall states on page 839 that the elasticity of demand at

$$P \text{ is } \frac{P_1 R}{OM} \div \frac{PR}{PM}$$

when in fact he should say that the elasticity of demand at  $P_1$  is

$$\frac{P_1 R}{OM_1} \div \frac{PR}{PM}$$

This small error on Marshall's part may not seem important, but it has completely obscured the fact

that elasticity of demand and marginal revenue are in fact different methods of measuring the same thing.

Another matter which Marshall's error has obscured is the fact that marginal curves in economic theory are part of the branch of mathematics known as the calculus of finite differences; they are not derived from the methods of differential calculus. Marginal changes in economics and in accountancy are finite not infinitesimal.

Yours faithfully,

P. L. GRIFFITHS.

London W1.

## Taxation Case

*A full report of the case summarized in this column will be published, with a Note on the Judgment, in the 'Annotated Tax Cases'.*

### Naranjee v. East African Commissioner of Income Tax

In the Privy Council – April 7th, 1964

(Before Lord EVERSHED, Lord MORRIS OF BORTH-Y-GEST and Lord DONOVAN)

*Income Tax – Settlement – Settlor a trustee – Whether settlement revocable – Whether settlor 'able to have access' to settled assets or income – East African Income Tax (Management) Act, 1958, section 25.*

The appellant executed a settlement deed for the purpose of providing for his grandsons. The settled assets consisted of almost all the shares in two companies, of each of which the appellant and his wife were the sole directors; and the appellant was the governing director for life of one of the companies. The settlement conferred power on the trustees, with the settlor's consent, to dispose of the shares, and to invest the sale money in any investments authorized by clause 10 of the settlement deed. That clause provided that the trustees might invest in stock or shares of any public or private company

'or in making loans . . . to or with any . . . company or bank and they may so invest notwithstanding that the trustees or any of them may have an interest in such public or private company or such . . . company or bank'.

The appellant and his wife were the trustees of the settlement. The deed provided that in no circumstances were they to retain or become entitled to any beneficial interest under the settlement; and that the settlement 'shall be absolutely irrevocable in all circumstances'.

By section 25 (2) of the East African Income Tax (Management) Act, 1958, all income accrued to any person under a revocable settlement is deemed to be income of the settlor for the year of income in question. By subsection (4)

'For the purposes of this section a settlement shall be deemed to be revocable if under its terms the settlor

(b) is able to have access, by borrowing or otherwise, to the whole or any part of the income arising under the settlement or of the assets comprised therein.'

Paragraphs (a) and (b) of section 25 (4) deem a settlement to be revocable if under its terms the settlor has a right to reassume control, directly or indirectly, over the whole or any part of the settlement assets or income, or has power to revoke or to otherwise determine the settlement with the settlor or spouse then becoming (or may become) beneficially entitled.

For the year of income 1958 the appellant was personally assessed in respect of the whole of the dividends received by him and his wife as trustees of the settlement, and the assessment was made on the footing that that income had arisen under a revocable settlement within section 25 (2) of the 1958 Act.

It was contended on behalf of the respondent that the settlement was revocable within clause 25 (4) (b), because under clause 10 of the settlement deed the appellant was able to have access, by borrowing or otherwise, to the assets or income of the settlement. It was contended on behalf of the appellant that the words 'is able' mean that the settlor had to have some positive ability to have access.

*Held:* the 'access' which the settlor had to have, in order that the settlement should be revocable, had to be access in a personal or private capacity, that is to say, otherwise than in his capacity as a trustee; it was not competent for the trustees to lend any of the trust funds to the appellant personally, or to allow him to have access thereto otherwise than as a trustee; for the year of income 1958 the appellant was not a person able to have access; and therefore the income assessed had not accrued under a revocable settlement.

FOR STUDENTS

# SCHEDULE D, CASES I AND II AND PROFITS TAX COMPUTATIONS

## Some Effects of the Finance Act, 1963

SOME alteration in the rules for adjusting profits under Cases I and II of Schedule D result directly from the changes introduced in the taxation of property. These changes, bringing about the gradual abolition of Schedule A, may be summarized as follows:

- (1) for 1963-64 onwards income tax will not be payable under Schedule A by owner-occupiers or by other persons in respect of beneficial occupation of land and buildings; but if an owner-occupier has to pay ground-rent on his property a Schedule A assessment will be raised for 1963-64 limited to the amount of the ground-rent;
- (2) if property is let, the Schedule A assessment for 1963-64 must not exceed the amount of the rent payable;
- (3) excess rents will be assessable for 1963-64 under Case VI of Schedule D as before;
- (4) premiums and certain sums treated as premiums that are required to be paid under a lease, are to be charged to tax for 1963-64 onwards in cases where the lease does not exceed fifty years. The landlord is treated as becoming entitled in the year in which the lease is granted to an additional rent equal to the amount of the premium reduced by one fiftieth of that amount for each complete year of the duration of the lease after the first year;
- (5) for 1964-65 onwards rents under long leases will cease to be payable under deduction of income tax. Mortgage interest will continue to be taxed at source (unless paid to a building society). The following income will be assessable under the new Case VIII of Schedule D: rents under short leases; ground and lease rents under long leases; feu-duties; payments for sporting rights and easements (but not mortgage interest or mineral rents and royalties).

The effect of these changes on income tax computations under Cases I and II of Schedule D may in their turn be tabulated as:

### 1963-64 Assessments

- (a) No deduction is allowed in the computations for 1963-64 for the net annual value of the business premises whether the premises are owner-occupied or occupied at a rent less than the net annual value and whether or not Schedule A tax was paid and borne in the basis period (usually the preceding accounting year);

- (b) if, however, rent is payable for the premises under a long lease (e.g. ground-rent), the gross amount of the rent is deductible but not exceeding the amount of the net annual value. (It would be most unusual for a long lease rent to exceed the net annual value). All rent payable under short leases is deductible;
- (c) if a trader pays a premium for the lease of his premises, he may deduct from his profit over the term of the lease, so much of the premium as is assessable on the landlord as additional rent (see *The Accountant* dated February 22nd, 1964, for a students' article on the taxation of premiums on leases);
- (d) mortgage interest remains disallowable in computing adjusted profit.

### 1964-65 and later years' assessments

All rent payable, whether under a short or long lease will be deductible. Points (c) and (d) as above, will apply.

### Example 1

The profit and loss accounts of X. Ltd, a well-established company, for the years ended April 5th, 1962, 1963 and 1964 are as follows:

	1962	1963	1964
	£	£	£
Salaries .. .. .	1,800	1,900	2,000
Lighting and heating ..	250	290	300
Ground-rent (gross) ..	100	100	100
Repairs .. .. .	300	210	200
Sundry expenses .. ..	50	50	100
Net profit for the year before taxation .. .. .	4,300	4,450	4,500
	<u>£6,800</u>	<u>£7,000</u>	<u>£7,200</u>

	1962	1963	1964
	£	£	£
Gross profit .. .. .	6,800	7,000	7,200
	<u>£6,800</u>	<u>£7,000</u>	<u>£7,200</u>

The net annual value of the business premises is £400.

In the 1962-63 Case I computation the net annual value will be deductible and the ground-rent will be disallowed.

For 1963-64 the Schedule A assessment will be reduced to £100, the amount of the ground-rent. The ground-rent of £100 will be deductible for Schedule D purposes but no deduction can be made for the net annual value.

For 1964-65 the ground-rent will no longer be paid under deduction of income tax and the amount actually payable (£100) will be an allowable deduction for Schedule D purposes.

The assessments for the years 1962-63 to 1964-65 inclusive will therefore be calculated as follows:

	1962-63	1963-64	1964-65
	£	£	£
Net profit per preceding year's account .. .. .	4,300	4,450	4,500
Add: Ground-rent .. .. .	100		
	4,400		
Less: Net annual value ..	400		
Assessment .. .. .	<u>£4,000</u>	<u>£4,450</u>	<u>£4,500</u>

Note that it is the conditions operating in the year of assessment that determines what adjustment is to be made - not the circumstances operating in the basis period.

### Example 2

The profit and loss accounts of Y. Ltd, a company formed in 1956, for the years ended April 5th, 1962, 1963 and 1964 are as follows:

	1962	1963	1964
	£	£	£
Salaries .. .. .	1,500	1,800	2,000
Rent .. .. .	300	300	450
Loan interest .. .. .	100	100	100
Repairs .. .. .	200	180	270
Sundry expenses .. .. .	100	120	180
Net profit before taxation ..	3,300	3,400	3,500
	<u>£5,500</u>	<u>£5,900</u>	<u>£6,500</u>

	1962	1963	1964
	£	£	£
Gross profit .. .. .	5,500	5,900	6,500

The net annual value of the business premises is £400.

The company's lease of the premises at a rent of £300 per annum expired on July 5th, 1963. A new lease for fourteen years was granted on July 6th, 1963, at a rental of £500 per annum and a premium of £3,500 was payable by the company on the granting of this lease.

The Case I computations are as follows:

	1962-63	1963-64	1964-65
	£	£	£
Net profit per preceding year's account .. .. .	3,300	3,400	3,500
Add: Loan interest .. .. .	100	100	100
Rent .. .. .	300		
	3,700	3,500	3,600
Less: Net annual value ..	400		
Premium on lease:			
Premium .. £3,500			
Less: $2(14-1)$			
per cent .. 910			
	<u>£2,590*</u>		
Allowed as an additional rent at the rate of $\frac{2,590}{14}$			
= £185 p.a. commencing July 6th, 1963 - proportion for nine months to April 5th,			
1964, $\frac{9}{12} \times £185 =$ ..			139
Assessments .. .. .	<u>£3,300</u>	<u>£3,500</u>	<u>£3,461</u>

\*The landlord would be assessable on £2,590 for 1963-64 under Case VI of Schedule D.

### Profits Tax

The profits tax rules remain unaltered. The net annual value is never deductible and annual payments such as ground-rents and mortgage interest are allowable unless paid to a director of a director-controlled company who is not a whole-time service director.

Assuming that the ground-rent and mortgage interest in examples 1 and 2, respectively, are not paid to directors the profits tax computations based on those examples, before deducting abatement, are as follows:

	Year ended April 5th -		
	1962	1963	1964
Example 1:			
Adjusted profit for income tax	4,000	4,450	4,500
Add: Net annual value ..	400		
	4,400		
Less: Ground-rent .. .. .	100		
	<u>£4,300</u>	<u>£4,450</u>	<u>£4,500</u>

	1962	1963	1964
	£	£	£
Example 2:			
Adjusted profit for income tax	3,300	3,500	3,461
Add: Net annual value ..	400		
	3,700		
Less: Rent .. .. . £300			
Mortgage interest 100			
	400	100	100
	<u>£3,300</u>	<u>£3,400</u>	<u>£3,361</u>

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Examinations

The Institute announces that commencing with the first new Intermediate examination in September 1964 a change will be made in the types of paper provided at the examinations on which candidates submit their answers. There will, from that examination, be only one type of ledger paper which will contain three columns ruled in red. The existing double column ledger paper and treble column ledger paper (ruled in blue) will be discontinued. The full effect of this change is that three types of paper only will be issued, namely plain writing, treble column ledger and journal.

### Members' Addresses Wanted

The Joint Secretaries of the Institute would be glad to know the present addresses of the following members of the Institute. The town at which the member was last known is shown after each name.

Bruce Hugh Campbell, A.C.A., Weston-super-Mare.  
John Peter Howitt Dawson, T.D., F.C.A., Thurlstone, near Sheffield.  
Thomas Robert Herman Frank, F.C.A., London.  
Arthur Hesford, F.C.A., Bournemouth.  
Kenneth Jones, A.C.A., Bradford.  
Charles Norman Newton, F.C.A., Solihull.  
Balram Bhagwanji Pandya, B.A.(COM.), A.C.A., Heald Green.  
Maurice Clifford Simpson, A.C.A., Leicester.  
John Roy Smith, A.C.A., Manchester.  
Frederick Andrew Stapleton, F.C.A., Nottingham.  
David John Strivens, F.C.A., Orpington.

### PROFESSIONAL NOTICES

MESSRS J. ALTMAN & Co, Chartered Accountants, announce that as from June 8th, 1964, their address will be 307 Finchley Road, London NW3. Telephone Hampstead 9697-8.

MESSRS CASSON, BECKMAN, RUTLEY & Co, of 27 Queen Anne Street, London W1, announce that Mr A. P. OHRENSTEIN, A.C.A., who has been a member of the firm for some time, has been admitted to partnership. The firm name is unchanged.

MESSRS DAVID STRATHIE & Co, Chartered Accountants, of 100 Wellington Street, Glasgow C2, announce with regret that Mr JOHN LOUDON, M.A., C.A., retired from the partnership on May 31st, 1964, on which date he had completed fifty years as a partner of the firm.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co, announce that Mr D. G. R. CARTER, F.C.A., was admitted as a partner in their Paris firm on June 1st, 1964. Previously, Mr CARTER had been for some years a partner in their associated East African firm, DELOITTE, PLENDER, GILL & JOHNSON.

MESSRS GRAHAMS, RINTOUL & Co, Chartered Accountants, of 105 St Vincent Street, Glasgow C2, and 116 Old Broad Street, London EC2, announce

that Mr ROSS T. HADDOW, M.C., C.A., and Mr ALEXANDER THOMSON, C.A., who have both completed over forty-five years in the profession; retired from the partnership on May 31st, 1964.

MESSRS SMALLFIELD, FITZHUGH, TILLET & Co, Chartered Accountants, of 24 Portland Place, London W1, announce that Mr R. HARROP, F.C.A., and Mr E. T. PECKHAM, F.C.A., retired from the partnership on April 30th, 1964. Mr HARROP will remain available for consultation. The practice will be continued under the same name and from the same address by the remaining partners.

Mr W. H. V. WITCHER, F.C.A., of 205 King's Road, Reading, announces with regret the sudden death of his partner Mr NORMAN A. SHARPE, F.C.A., on May 22nd.

### Appointments

Mr K. G. Butcher, F.C.A., secretary of Tozer Kemsley & Millbourn (Holdings) Ltd, has been appointed a director of the company.

Mr Donald Caswell, F.C.A., group chief accountant of Inchcape & Co Ltd, has been appointed a director of Gray, Dawes & Co Ltd.

Mr R. L. Corson, F.C.A., has been appointed chairman of Waller & Hartley Ltd, in succession to the late Mr I. G. Aspinall, C.B.E., F.C.A.

Mr S. F. Cox, F.C.A., chief accountant of British Railways, Eastern Region, has been appointed chief accountant of the British Railways Board with effect from June 1st.

Mr Douglas B. Haunch, F.C.A., has been elected to the board of Gestetner Ltd.

Mr D. V. McHugo, F.C.A., has been appointed secretary of The Ruberoid Co Ltd; he will continue to act as the company's chief accountant.

Mr E. M. Kevehazi, F.C.A., has been appointed a director of Woods of Colchester Ltd.

The Hon. James W. Remnant, F.C.A., has been appointed a director of The Westpool Investment Trust Ltd.

Mr B. A. C. Whitmee, F.C.A., has been elected a director of the General and Commercial Investment Trust.

Councillor John W. Shock, M.A., F.C.A., has been appointed Mayor of the Borough of Hendon.

### COMPANY INQUIRY

Mr John Dennis Russell, M.A., F.C.A., has been appointed by the Board of Trade, pursuant to the provisions of section 165 (a) (i) of the Companies Act, 1948, to investigate the affairs of St Martin Preserving Co Ltd.

**DOUBLE TAXATION****United Kingdom and Spain**

Preliminary discussions regarding a comprehensive Double Taxation Agreement between Spain and the United Kingdom were held in Madrid last week between representatives of the Spanish Ministry of Finance and the United Kingdom Board of Inland Revenue. From these preliminary conversations it seems likely that it will be possible in the near future to make further useful progress. It is hoped to make arrangements to continue the discussions in London later in the year.

**3½ PER CENT DEFENCE BONDS:  
CONVERSION OFFER**

The Treasury has announced that a conversion offer will be made to holders of 3½ per cent Defence Bonds purchased between March 16th, 1954, and September 15th, 1954, and maturing on September 15th, 1964, of which £6.8 million are outstanding.

These holders will be invited to exchange their holdings into 5 per cent National Development Bonds (Conversion Issue) on September 15th, 1964. Holders who accept the offer of conversion will receive a final interest payment of six months' interest at 3½ per cent per annum on September 15th, 1964, together with the premium of £3 per cent on Bonds exchanged. A first interest payment on the Conversion Issue Bonds will be made on January 1st, 1965, in respect of the period from September 15th, 1964, to December 31st, 1964. Acceptance of the offer of conversion will not involve any break in the holders' encashment rights. If the offer is not accepted, interest on the maturing Bonds will cease with the payment due on September 15th, 1964.

The terms of the new Conversion Issue Bonds will be the same as those of the 5 per cent National Development Bonds currently on sale except that interest will be payable on January 1st, and July 1st. The list of acceptances of the conversion offer will be closed on June 26th, 1964.

**OFFICIAL RECEIVER APPOINTMENTS**

The Board of Trade have announced that Mr John Lewis Williams has been appointed an Official Receiver in Bankruptcy attached to the High Court with effect from June 1st, 1964.

Mr Bernard James Longley, at present an Assistant Official Receiver in Bankruptcy attached to the High Court, has been appointed to succeed Mr Williams as Official Receiver for the Bankruptcy District of the County Courts of Cardiff; Blackwood, Tredegar and Abertillery; Newport (Mon); and Pontypridd and Ystradfydwg with effect from June 1st, 1964.

**WEST AFRICAN CURRENCY BOARD****Revised Regulations**

Revised regulations and new supplementary regulations for the West African Currency Board have recently been approved by the Secretary of State for the Colonies. These take into account the reduced scope of the Board's activities resulting from the replacement of the Board's currency by national currencies in Nigeria and Ghana and from the impending departure of Sierra Leone from the currency area. They also provide for the setting up by the Board of a new body, to be known as the Gambia Currency Board, for the future supply and control of currency in the Gambia.

The Gambia Currency Board is empowered, from a date to be appointed with the approval of the Secretary of State, and subject to enactment of appropriate legislation in the Gambia, to issue separate and distinctive currency notes in the Gambia, to be payable in the Gambia and London only. It is similarly empowered to issue separate and distinctive coins, but may, alternatively, continue to make use of coins of the West African Currency Board, as agent of that Board.

**LONDON AND DISTRICT SOCIETY OF  
CHARTERED ACCOUNTANTS****New Chairman**

Mr Alan P. Hughes, F.C.A., a partner in the firms of Farrow, Bersey, Gain, Vincent & Co and Layton-Bennett, Farrow & Co, has been elected Chairman of the London and District Society of Chartered Accountants for the year 1964-65.



Mr Hughes, who is aged 59, was educated at Dulwich College and was articled in 1923 with John Baker & Sons. He was admitted an Associate of The Institute of Chartered Accountants in England and Wales in 1929 and became a Fellow in 1950.

Mr Hughes has served on the Committee of the London and District Society since 1948 and has been a member of the Technical Advisory Committee (formerly the Taxation and Research Committee) of the Institute since 1960. He is well known to readers of *The Accountant* under the pseudonym of APHIS, for he is the author of the 'Alice' articles on taxation ('Alice in Sixth schedule land' etc.) which have been published from time to time.

For long interested in tennis, Mr Hughes was captain of one of the Sutton (Surrey) tennis clubs for twenty years. Recently he relinquished the secretary-

**JOHN FOORD & COMPANY**

56 VICTORIA STREET, LONDON, SW1

Telephone: Victoria 2002 (3 lines)

**REVALUATION OF ASSETS**

WORKS, FACTORIES, PLANT &amp; MACHINERY, Etc.

ship of the Sutton Methodist Church Trustees having completed twenty-one years in that office.

The new Vice-Chairman of the Society is Mr H. Gordon Smith, F.C.A.

### BIRMINGHAM AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

Mr C. Wheatley, F.C.A., a partner in the firm of Russell, Durie Kerr, Watson & Co, Chartered Accountants, of Birmingham, has been elected President of the



Birmingham and District Society of Chartered Accountants for the year 1964-65.

Mr Wheatley, who trained as a bye-law candidate in the office of Abbott Deeley Hill & Co, Chartered Accountants, of Birmingham, was admitted as an Associate of The Society of Incorporated Accountants and Auditors in 1935, becoming a Fellow in 1949. He became a partner

in his present firm on January 1st, 1946.

Elected honorary secretary of the Incorporated Accountants' Birmingham and District Society in 1946, Mr Wheatley held the office for eleven years until integration in 1957. Since that date, he has been a member of the committee of the Birmingham and District Society of Chartered Accountants and has held the offices of honorary assistant secretary, honorary treasurer and Vice-President.

Other new officers of the Society for the ensuing year are:

*Vice-President:* Mr W. R. Doherty, T.D., F.C.A.

*Hon. Secretary:* Mr P. T. Neal, F.C.A., Messrs Agar, Bates, Neal & Co, 106 Edmund Street, Birmingham 3.

*Hon. Assistant Secretary:* Mr P. G. Craven, T.D., F.C.A.

*Hon. Treasurer:* Mr A. S. Maddison, F.C.A.

*Hon. Dinner Secretary:* Mr J. N. McKenzie, B.COM., F.C.A.

*Hon. Librarian:* Mr K. J. Milligan, M.A., F.C.A.

### Annual Report

The eighty-second report of the Committee records that the approximate membership of the Society at April 30th last, was 2,225 - a rise of 650 on last year's total. This substantial increase is mainly accounted for by the introduction by the Institute, as from January 1st last, of the new arrangement whereby members may join a district society without payment of a separate subscription.

Seven meetings held over the period from October 1963 to March 1964 were all well attended, and nearly one hundred members attended a week-end residential conference at Keele University arranged for the first time in conjunction with the Liverpool Society of

Chartered Accountants. The Society's two discussion groups, one for members in practice or employed in the profession and the other for accountants in industry and commerce, continued to meet during the year. The report expresses the hope that more of the new members to the profession will take the opportunities which these groups have to offer. Social functions included the Society's annual ball which was attended by 360 members and guests and there were over three hundred and ninety members and guests at the Society's annual dinner.

### THE BRISTOL AND WEST OF ENGLAND SOCIETY OF CHARTERED ACCOUNTANTS

Mr P. K. Pitt, F.C.A., a partner in the firm of B. L. Monahan & Co, Chartered Accountants, of Swindon, has been elected President of the Bristol and West of England Society of Chartered Accountants for the year 1964-65.

Educated at Blundell's School, Mr Pitt was admitted to membership of The Society of Incorporated Accountants in 1932. After spending a year with Messrs W. T. and L. Walters, of Yeovil, he served with Messrs Ware, Ward & Co, of Exeter, from 1935 to February 1940 when he joined, until September 1941, Peat, Marwick, Mitchell & Co, of London. He was admitted a partner in his present firm in October 1941.

Mr Pitt was a member of the Committee of the West of England District Society of The Society of Incorporated Accountants from 1949 until integration, and is a Freeman of the City of Gloucester.



### Annual Report

The annual report of the committee for the year 1963 gives the total membership of the Society at December 31st, as 754. An area analysis of membership shows that there were 364 members in the Society's Bristol branch, 175 in the Exeter branch, 132 in the Cornwall and Plymouth branch and eighty-three in the Gloucestershire branch.

Meetings were held during the year by all four area branches. The annual dinner of the Society was held for the first time at Plymouth and was attended by 192 members and guests; the President of the Institute and the Lord Mayor of Plymouth were among the guests. In addition, branch dinners were held at Bristol and Exeter.

Referring to students' activities, the report expresses satisfaction in the success of the residential course for articled clerks arranged by the Exeter branch in September at Exeter University which was attended

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by over eighty students from all branches of the Society. The report adds that introductory half-day release courses are being organized at centres throughout the Society's region for articled clerks and although in their early stages, the courses appear to be meeting with considerable success.

### **SOUTH-EASTERN SOCIETY OF CHARTERED ACCOUNTANTS**

At the annual general meeting of the South Eastern Society of Chartered Accountants, Mr C. R. P. Goodwin, F.C.A., a partner in the firm of Baldwin &



Son, Chartered Accountants, of Brighton, was elected President of the Society for 1964-65.

Articled to the late Mr E. C. Baldwin, founder of his present firm, Mr Goodwin was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1933 gaining second place and being awarded the W. B. Peat gold medal. After gaining experience with a London company he was

appointed secretary and chief accountant of Raphael Tuck & Sons Ltd. Following the outbreak of the Second World War, Mr Goodwin became chief accountant to the Meat Transport Pool and was subsequently appointed deputy chief accountant to the Plessey Co Ltd, at Ilford. He returned to Brighton in 1946 to take up partnership in his present firm.

Mr Goodwin has served on the committee of the South Eastern Society, the Society's Regional Taxation and Research Committee, the Institute's Taxation and Research Committee and the Kent and Sussex Students' Society Committee. He is also a member of the Southern Area Council of the National Chamber of Trade.

Other officers elected for 1964-65 are:

*Senior Vice-President (Chairman of Hants & Dorset Branch):* Mr J. H. Mitchener, F.C.A.

*Junior Vice-President (Chairman of Kent & Sussex Branch):* Mr W. H. Minter, F.C.A.

*Hon. Secretary:* Mr W. R. McBrien, F.C.A., Messrs Gibbons & Mitchell, 7-8 Wellington Square, Hastings.

### **Annual Report**

The annual report for 1963, presented at the meeting, records a total membership of the Society at December 31st last, of 658. An area analysis of membership shows that 252 members were resident in Hants and Dorset and 403 in Kent and Sussex. As a result of the Institute's recent arrangement whereby members who reside in the area of a district society are eligible to become members without payment of subscriptions the

total membership of the Society during the first three months of 1964 has risen to 1,158.

The Society's local members' groups at Bournemouth, Brighton, Hastings, Isle of Wight, Maidstone and Portsmouth had active programmes of evening meetings during the year, at which talks were given on a wide variety of topics of professional interest. A feature of the Kent and Sussex Branch activities were the successful joint meetings between the Hastings and Maidstone groups. There was an addition to the groups in Sussex when, in November, the Worthing and District Group held its inaugural meeting. Consideration is being given to the formation of local members' groups in the Canterbury/Margate area, and at Tunbridge Wells, Southampton and Dorchester. Following the encouraging response to the proposal to hold a residential week-end conference, the Kent and Sussex Branch Committee are planning to hold the first course in the autumn of next year. In a reference to plans to provide the first of a series of introductory courses for newly-articled clerks this year, the report states that the first of these is to take place in Brighton and will comprise a fortnight's lectures, homework and tutorials. Similar courses are planned at a later date at Southampton and Maidstone.

A successful students' residential course was again arranged at Brighton in September and was attended by 202 students

### **TOMORROW'S OFFICES**

The Organization and Methods Division of The Institute of Office Management is organizing a three-day conference from June 16th-18th, at Christ Church, Oxford, to advise those concerned with the development and planning of office accommodation for occupation within the next ten to twenty years. The emphasis is not on what is happening now, but on likely trends in policies, technology and methods-thinking which should influence planning.

Among the matters to be discussed will be probable changes in population, transport, planning controls, methods of financing which will affect the location and development of offices and developments in automatic data processing and communications.

Further information regarding the conference is obtainable from the courses and conferences department, The Institute of Office Management, 167 Victoria Street, London SW1.

### **Correction**

In the article entitled 'Money's Nicknames' in our issue of May 2nd, it was stated that the first £1 notes, issued in 1914, became known as 'Bradburys' after the Bank of England cashier, John Bradbury, whose name they bore. These notes, however, were issued by the Treasury of which Sir John Bradbury was then Secretary.

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## Investment Income is not Trading Income

A DEALER in stocks and shares has never had to pay Case I tax on that part of his receipts which consisted of dividends already taxed at source; they have always been excluded from the Case I computation, as a matter of common sense. But where is the authority for it? The answer seems to be that there was no such authority until the decision of the House of Lords last week in *C.I.R. v. F.S. Securities Ltd.*

That company was a £100 company, formed in 1954, which carried out a 'dividend strip' operation under which it bought the entire issued capitals of three companies with accumulated profits, and paid £1,317,565 for them. It caused those companies to pay dividends, net after tax, of £927,408, and then valued the purchased shares at their market value after this dividend strip, thus showing a loss of £895,487. In accordance with the practice, the net dividend was not brought into the computation of loss, or it would have turned that loss into a profit. The company claimed and obtained section 341 relief on that large, and in a sense quite unreal, loss.

The Special Commissioners then argued that for the year in question the company must be an investment company subject to automatic surtax direction, and the Special Commissioners in their judicial manifestation confirmed the direction. The High Court and the Court of Appeal held that the company was not an investment company. The latter Court arrived at this conclusion on an entirely new submission of the company made for the first time in the Court of Appeal, namely that there had never been any such loss, and that the repayment on account of it ought not to have been made. The authority for this new submission was the House of Lords' own decision that a capital profits dividend has to be included in the computation of a share dealer's profit.

The Inland Revenue appealed to the House of Lords, where this new point of the company was the subject of some unfavourable comment. No doubt it also caused the Revenue to reflect somewhat on their own readiness to make a six-figure repayment to a company which now argued that there was no loss.

The final solution of the problem was to restore everything to what it had always been. Although the Acts are silent about a taxed dividend received by a share dealer, the House of Lords has now decided that the inveterate practice should be hallowed by its own decision. The £927,408 net dividend was not to be treated as a revenue receipt in the profits computation. But it followed by the



same token that it was investment income i.e. not income which in the hands of an individual would be earned income. On that footing the House had no difficulty in deciding that the company was

an investment company and liable to automatic surtax direction accordingly. Share dealers in general may breathe again. Dividend strippers, on the other hand, have fared badly.

## FINANCE BILL

# Plant Hiring – III

**C**LAUSE 17 (2) directs that deductions for payments within clause 17 (1) are not to exceed the commercial rent of the asset for the period for which the payment is made. What is 'commercial rent' as understood by clause 17? For this one must go to clause 17 (6). It says that for the purposes of making a comparison under sub-clause (2) between a payment (or payments taken together) and the commercial rent of the asset, commercial rent

'shall mean the rent which might at the relevant time be expected to be paid under a lease of the asset for the remainder of the anticipated normal working life of the asset, being a rent payable at uniform intervals and at a uniform rate which would afford a reasonable return for its market value at the relevant time, having regard to the terms and conditions of the lease'.

This is certainly a bewildering definition. It brings in two fruitful sources of dispute, without defining them, viz. 'reasonable return' and 'market value'. The market value may well depend on what one can expect as a rent. Having postulated an entirely hypothetical lease for the purposes of the definition, the subsection then goes on to say that the persons fixing the rent must have regard to the 'terms and conditions' of that purely hypothetical lease. Where is one to find these terms and conditions? Perhaps the draftsman is thinking of the terms and conditions of the actual lease in question, in which case it is a pity he did not say so. 'The relevant time' is the time when the actual lease was created under which the payment in question is made. The phrase 'anticipated normal working life' is lifted bodily from section 281 (6) of the Income Tax Act, 1952, where it is used in relation to plant and machinery only and is concerned with assets which are subject to wear and tear.

It may be that the maker of the payment uses the asset only partly for the purposes of the trade,

and partly for some other purpose. A proviso to sub-clause 17 (6) says that in that case the commercial rent must be determined by reference to what would be paid for such a partial use of the asset. In nine cases out of ten the answer will probably be 'the same', because it is just not commercially feasible to confine a hiring to business hours. Imagine a builder who offered to take a tower crane on hire, the hiring to commence at 8 a.m. each morning for four hours, with another hiring in the afternoon for another four hours, the owner to do what he liked with the crane during the lunch interval.

It is fortunate that we did not examine clause 17 (3) last week for it was very extensively amended by the House of Commons. It provides, broadly speaking, for the carry forward of the amounts disallowed by clause 17 (2), provided that one or more subsequent payments are made under the lease. The amounts carried forward are available for deduction only in the same trade. However, clause 17 (8) provides a useful extension of this relief. It says that references to a person carrying on the trade mean the person carrying it on for the time being. Where at any time a person succeeds to a trade, and section 19 of the Finance Act, 1953, operates to treat the trade as discontinued, the trade must nonetheless be treated as the same trade for the purpose of clause 17. This reintroduction of the word 'succeed' is interesting. It is a word which has given rise to a great deal of litigation in the past.

Complications can arise under clause 17 where different payments are made for different periods (some overlapping) under the same lease. Clause 17 (4) provides for the aggregation of separate payments, and their allocation by apportionment to the appropriate periods. If a payment is made for a period all of which falls more than one year

after the making of the payment, then the payment is to be treated as made for the year following its making (clause 17 (5)). There is corresponding provision where a payment covers a period only part of which is later than a year after the payment.

Some of the infelicities of drafting of the main clause 16, about which we complained a fortnight ago, were corrected at the Committee Stage last week. At the same time, a loophole in clause 16 has been closed, and some special provisions have been introduced in consequence of representations made on behalf of the hire-purchase industry.

It will be recalled that one of the prerequisites of the application of clause 16 in relation to income tax is that the person who made the payment under the lease

'has obtained or obtains a capital sum in respect of the lessee's interest in the lease'.

By means of associated companies, it would be possible to avoid this happening. An example was given to the House by the Solicitor General as follows:

'A. leases to B. Ltd some plant at £20,000 per annum for three years, and £600 per annum for the next seventeen years.

Next day, B. Ltd subleases that plant to its subsidiary C. Ltd for £40,000 per annum for three years and thereafter £500 per annum for the remaining seventeen years.

Next day B. Ltd assigns its own lease (subject to and with the benefit of the sublease to C. Ltd) to a dealer, D., for £50,000 outright.

Since B. Ltd has had no tax deductions under the lease, then under the original draft, B. Ltd would not need to pay tax on any of the £50,000

C. Ltd would obtain a tax deduction for the £40,000 rent but would not be subject to any tax under clause 16.

The Government have dealt with this by inserting an alternative condition precedent, that is to say, alternative to the one mentioned above. This condition is that before, at or after the time the payment is made

'the lessor's interest in the lease or any other interest in the asset, has belonged to a person associated with the person who made the payment and that person so associated with the person who made the

payment has obtained a capital sum in respect of that interest'.

This makes B. Ltd liable to tax in respect of the capital sum up to the limit of any deductions accruing to C. Ltd.

Perhaps the most interesting thing about this example is that the Revenue are apparently conceding that if a company takes a lease of plant at £20,000 a year – presumably the market rate – it can then sublet it at a profit of 100 per cent to its own subsidiary and the subsidiary will be allowed to charge the £40,000 as an expense incurred wholly and exclusively for the purposes of the subsidiary's own trade. This is certainly a startling proposition.

The Government have been persuaded that clause 16, unamended, would operate too harshly in the case of a genuine hire-purchase agreement, where only part of the periodical ranks for deduction in computing profits, and the balance goes to swell the amount on which capital allowances are granted. To provide some alleviation in such a case, Schedule 7 has been extended to include a Part II, consisting of new paragraphs numbered 8 to 10. The gist of the new provisions is in paragraph 8 (1), as follows:

'8 (1) If the lease constitutes a hire-purchase agreement, for the reference in the provisos to subsections (1) and (2) of the principal section to the amount of the capital sum there shall where that capital sum was obtained in respect of the lessee's interest in the lease constituting the hire-purchase agreement, be substituted references to the amount of the capital sum after deducting any capital expenditure which was incurred by the person obtaining the capital sum in providing the lessee's interest and which is for capital allowance purposes, still unallowed at the time when the assignment or other transaction takes place in respect of which the capital sum is obtained.'

Paragraph 9 provides for 'reasonable' apportionment where only part of the lessee's interest is assigned. Paragraph 10 defines 'hire-purchase agreement'.

Considering the vast number of hire-purchase agreements of plant used in businesses, these complicated and lengthy provisions are going to give a good deal of trouble in the tax computations of many taxpayers. One wonders whether it is all worth while.

(Concluded.)

# Valuation on Expropriation

by CHARLES H. MOSS

**W**ITH the possibility of further nationalization of industry in Great Britain if a Labour Government should be returned at the next General Election, it may be of general interest to consider the factors taken into account by the Canadian High Court in arriving at the figure to be paid as compensation for the shares of a large utility company on expropriation. For the facts, I am indebted to Mr Robert W. V. Dickerson, B.COM., LL.B., C.A., whose report in a recent issue of the *Canadian Chartered Accountant* I have quoted from extensively. In a number of places I have 'rounded-off' the actual figures for the sake of clarity.

The case arose in consequence of the expropriation of the common shares of the British Columbia Electric Co Ltd, the whole of whose issued common shares were held by the British Columbia Power Corporation Ltd; and is fully reported in *British Power Corporation Ltd v. Attorney-General of British Columbia et al.* ((1963) 44 W.W.R. (N.S.) 65.)

## History

By an Expropriation Act passed in August 1961, it was provided that the Crown would pay the plaintiff company a sum of \$111 million for the common shares; which sum was increased to \$172 million by an amending Act in 1962. The Power Corporation claimed that the legislation was *ultra vires* and, in the alternative, compensation additional to that provided in the impugned statutes was claimed. The judgment delivered by Chief Justice Lett of the Supreme Court of British Columbia is likely to be of enduring value, both from the lucidity of his analysis of the valuation problem and the sophisticated techniques used by experienced financial experts.

## The Claim

The parent company claimed that the value of the shares concerned was not less than \$225 million, and produced evidence of calculations made on two different bases: one by appraising the property of the company as a service facility along the lines of a physical appraisal, the other by evaluating it as an investment.

The financial appraisal of \$225 million was

arrived at by applying a multiplier of 20 to a figure of \$11¼ millions representing the company's net earnings for the year ended December 31st, 1960. This figure for earnings was recognized to be unnaturally depressed as a result of the unfavourable conditions prevailing in the latter part of 1960. The multiplier of 20 was selected by comparing the company's business, financial position, earnings and prospects with those of other utility companies in North America whose shares were actively traded. To this 'fair market value', the plaintiff's appraiser added a further sum of \$25 million as the value of 'control', bringing the claim to \$250 million.

Book value, adjusted book value, and break-up value were also used to value the company's assets – the 'break-up value' on an assumed disposition at July 31st, 1960, and treating some \$46 million of deferred income taxes as a deferred liability for tax on recapture of depreciation, resulted in a figure of \$285 million.

## Defence

The defendant's figures calculated on the same bases were, not surprisingly, much lower. The 'earnings' figure was taken at \$10½ million and the 'multiplier' as 17, to give a figure of \$178½ million. The earnings figure was set by reference to the company's most recent earnings of \$10¼ million for the year ended June 30th, 1961, and to the projected earnings of \$10½ million for the 1961 calendar year. The defence did not think it proper to place any additional value on control, maintaining that control, in this case worth about \$10 million, was included in the gross figure.

Defendants fixed 'break-up' value at \$164 million, and refused to treat the \$46 million of deferred taxes as part of the shareholders 'equity'.

## Bases of Judgment

After deciding the constitutional issue, Chief Justice Lett stated that he would be guided by the following broad principles common to both English and Canadian law:

(1) In every case where only physical structures

were taken, reproduction cost new was the test of value. Consideration of earnings was excluded;

- (2) except where otherwise decided by statute, where a whole undertaking was taken, earnings were considered and an overall value set;
- (3) the method of valuation of land compulsorily taken is applicable to things other than land;
- (4) the nature and extent of the thing taken may govern the method used in assessing compensation;
- (5) the demonstrated and prospective ability to make profits and also any special value the property has to the owner must be taken into account;
- (6) once value to the owner has been decided, no other allowance will normally be made except in respect of any loss or expense incurred through relocating a business, dislocation, and loss of profits while a business is being re-established.

### Outline of Analysis by Court

The various points raised were considered in great detail by Chief Justice Lett, but there is only space to summarize the more important of them.

#### *A. Physical appraisals of properties and equipment*

The "trending" technique used by both parties is designed to obviate the need of detailed appraisal of individual assets, but reflects current values quite adequately. It is not applied to land or short-lived assets, nor to property under construction. Local conditions may require adjustments to be made in the index numbers used. The parties' gross figures did not differ to any great extent, but their estimates of depreciation were so disparate as to nullify their value.

The company's land, composing some thirteen thousand different parcels, including easements and rights of way, could only be appraised on a mass basis, and a figure of \$50 million was accepted as a rough approximation of the market value of the company's interests in real estate. Some \$19 million of unamortized bond discount, commissions, and expenses of issuing shares, were excluded from the valuation. Also, as the valuation on this method was one of the company's physical properties, no 'going concern' value

could be admitted. The company had claimed \$40 million under this heading as the difference in value between a bare plant not in operation, and one functioning fully.

#### *B. Book value, adjusted book value and break-up value.*

The *dicta* under this head is useful only from the manner in which the deferred tax question was dealt with. The plaintiff's figure for book value at June 30th, 1961, included \$46 million deferred tax liability arising out of their practice of claiming capital cost allowance for tax purposes in excess of the depreciation recorded in the books. The judge agreed with defendants that this item must be excluded from the shareholders' equity. However, as the Public Utilities Commission allowed this deferred tax as an expense in computing its rates for regulatory purposes, some benefit thereby accrued to the shareholders.

As the deferred tax was in effect an interest-free loan, the company was required to show for regulatory purposes, as a notional item of income, interest on the deferred tax account equal to the average annual cost of its bond debt. The account, therefore, had a value equal to the difference between the company's allowable rate of return, 6.5 per cent and its average bond interest rate of 5 per cent. This annual benefit was calculated at \$345,000, the present value of which at 5 per cent and on an average life of the property of fifty years, is \$5 million.

The arguments advanced by both sides with regards to book value and break-up value were dealt with, and the judge proceeded to the second method of evaluation of the property as an investment.

#### *C. Earnings record*

An evaluation of the company's earnings per share was made difficult by certain features of its relationship with the Power Corporation. The maximum price at which the company's shares could be issued, under its articles of association was \$30 per share. This figure was much too low in comparison with the price at which the holding company's shares were sold to the public, adjustments had to be made for this in deciding the 'per share earnings' for the period 1951-60.

The company's gross earnings were next considered in detail, note being taken of the factors causing excessive fluctuations over the preceding ten years, in particular, the variations caused by increase in plant capacity and new

office buildings, and the forecasts of future earnings made by the two conflicting parties were investigated.

### Various Factors Affecting Share Values

The company's plans for future financing were held to be likely to cause a dilution of earnings per share, and consequently a reduction in market value of the shares.

This reduction was likely to be increased by the overhanging threat of conversion of a 6 per cent convertible debenture which had been issued in the unfavourable capital market of 1959.

The company had considered the possibility of abandoning the practice of providing for deferred taxes and adopting flow-through accounting. Various reasons were advanced to show that the immediate increase in dividends would be sustained, but the judge decided that the effect of the proposed change on earnings diminished rapidly and the proposal would be unattractive to an intelligent purchaser of shares, undesirable from the company's point of view, and probably unacceptable to the Commission.

### *Summary of more important features regarding the company's position and prospects*

- (1) Outstanding growth in plant account and earnings from 1951-60;
- (2) recent downward trend in earnings;
- (3) quality of earnings unfavourably affected by large proportion of interest charged to construction;
- (4) still considerable room for improvement in earnings before reaching regulatory ceiling;
- (5) the company's good cash-flow was materially assisted by the provision for deferred taxes which more than off-set the amount of interest charged to construction; a non-cash item included in income;
- (6) loss suffered on urban transit systems;
- (7) additional potential of the gas division;
- (8) the company's excess electric generating capacity would be a drain on the company's revenues;
- (9) the thin common share equity - any re-financing made dilution inevitable;
- (10) the adverse effect of conversion of the debentures;
- (11) the company's policy of asking only for increases in rates to cover increases in costs, relying on future growth to bring the earnings up to allowable limits;
- (12) interest-free advances from the parent company.

### Award

Chief Justice Lett, after considering all the various factors, decided that the level of earnings to which the multiplier should be applied was that for the twelve months ended June 30th, 1961, the most up-to-date figures of the company's performance before expropriation, namely, \$10 $\frac{1}{4}$  million. In his view, this should only be departed from if it reflected abnormal conditions not experienced by comparable companies.

The company's excess plant capacity was a condition likely to continue for some years, and the earnings figure should not be adjusted to eliminate the extra costs resulting from it. Recognition of the excess capacity enters into the assessment of prospects of future growth and earnings, and these are factors in arriving at the multiplier. An adjustment for abnormal weather conditions and the economic recession in North America in 1960 were allowed for, and the judge estimated that the actual earnings figure should be increased to \$10 $\frac{3}{4}$  million.

### The Multiplier

A great deal of statistical information was referred to, and comparisons made with the performance and prospects of other utility companies. In the result, the Court held that the appropriate multiplier to be applied to the adjusted 1961 earnings figure of \$10 $\frac{3}{4}$  million was 17.5, giving a fair market value of \$188,125,000.

### Control

The parties agreed that a premium for control is usually paid over and above the fair market value of the shares. However, the judge decided that in this case there would be no material benefit accruing to a buyer even if he could get control, and therefore he made no award under this heading.

### Special Value to Owner

The Chief Justice recognized that the plaintiff company, Power Corporation, was entitled to compensation for special value. This was because the plaintiff's large investment in the Electric Co could not be readily replaced. This special value could not be calculated on any precise basis, and the Court decided that it could best be provided by increasing the 'fair market value' of \$188,125,000 by 2.5 per cent, thus bringing the total award to \$192,825,125.

# The Relationship of Solicitors and Accountants

## SOME AREAS FOR USEFUL COLLABORATION

by STANLEY J. BERWIN

THERE are such wide variations in the practices of different solicitors that it is almost impossible to reconcile them, in the sense that they are concerned with different degrees of relationships and separate aspects of law. For instance, in the country a solicitor will be primarily concerned with conveyancing and agricultural property. In the larger towns conveyancing, probate and trusts will be the main preoccupation. So far as criminal law is concerned the nearest we get to it is The Prevention of Fraud (Investments) Act, 1958, or the penalties imposed by the Companies Act.

I have long held a theory with regard to solicitors in the City. It is that their training should follow closely the general lines of the training required for an accountant, in taxation, book-keeping and auditing; and sometimes I even think it would be useful if there was a fusion of the two professions so far as City work is concerned because there is such an overlapping of knowledge involved in the type of transaction which comes before them both.

I have often heard it said that conveyancing is the bread and butter of a solicitor's practice. There may still be truth in this, but of those practising in the City it is probably more true to say that the bread and butter work arises in connection with take-overs or, in more polite circles, mergers.

### Bids and Mergers

There is nothing esoteric about take-overs, although they have been glamourized, criticized and analyzed. Yet, on the other hand, they are much more interesting than the bare Press announcements make out. I once read a book called, *The Technique of Take-over Bids*, which discussed in elaborate detail the provisions of section 209 of the Companies Act, 1948 (which you will recall deals with the compulsory acquisition of minority shareholdings), but did not touch upon the many varied and interesting problems that are ancillary to the acquisition of the shares to be acquired and where a slightly thoughtless action can have unfortunate effects.

Let me give an example of this with regard to a type of take-over which does not attract the public eye. Accountants will know, far better than I, that there are still advantages in purchasing a tax loss

company. These companies will usually have fairly substantial amounts owing, either to their directors or creditors. What usually happens is that the Takeover Company buys the shares of the tax loss company and Mr Takeover, one of the directors of Takeover, not being a dealer in debts and seeing a fair profit for himself, buys the debts from the creditors or ex-directors for a nominal sum. Mr Takeover therefore stands to gain a substantial amount when the debts are repaid and he is a very happy man. But all is not as pleasant as it appears, for a director stands in a fiduciary relationship to his company and is liable to account for any secret profit he may make. The time may come when Mr Takeover's company goes into liquidation or floats, or there is a change in directors, or it is itself taken over, and then Mr Takeover may find himself sued by the company for the return of the profit he made; and all that started so well ends unhappily.

### Unnecessary Problems

Mr Takeover could have avoided these problems if his purchase had been approved by the company in general meeting or if he had not bought the debts but had caused them to be released, or had the company bought them it would have avoided section 54 of the Companies Act, 1948, and the transaction would have been wholly or partly self-financing. If he had consulted his accountant and solicitor the probability is that he would have had no problem for they would have got together to discuss the technique to be adopted. The accountant, particularly, would have performed a valuable purpose, for if the debts were released without regard to timing or consideration as to how they arose, disadvantages could arise, for the amount released would go into profits and swell them for tax purposes.

### Problems of Accounts Presentation

In a take-over not only tax but accounts presentation problems arise. If Takeover Company acquires Seller Company, and about that time an executive of Seller retires with a large compensation payment for loss of office, two questions arise. The first is, who paid? If Takeover paid, this will be a capital payment, not allowable as a deduction against revenue, and will form part of Takeover's total cost of ac-

quiring Seller for the purpose of calculating goodwill on consolidation. If Seller paid, the second question is, why was it made? If paid in connection with the take-over, the payment will be a capital payment and not allowed as a deduction against revenue. But if the executive would have left about that time in any case because of fraud or ill health or old age, the payment will rank as a revenue expense. Therefore, the minutes covering the payment should be water-tight for the Revenue would be bound to test the question of fact involved to some extent.

What I have said is a résumé of the tax treatment, but the really interesting development of this question comes on the question of consolidation, in those cases where Seller made the payment itself. Theoretically, the payment can be treated in three ways: either as belonging within the pre-acquisition period, or as falling within the post-acquisition period, or as being apportionable over the year of Seller. Each method has different results, which I will mention later; but first, one must deal with how to ensure that the payment is treated in the way one wants.

Paragraph 15 (5) of the Eighth Schedule refers to the date 'on or as from which' Seller was acquired. These words include at least two concepts: first, the actual date of acquisition and, secondly, the date specified in the contract of acquisition as the date which is deemed to be the date of acquisition. If such a date is specified, the relevant wording in the Act ('on or as from which'), makes it ambiguous as to whether that is the date which must be taken or whether there is a choice between that date and the actual date. In any case one has to solve the meaning of the word 'acquisition'. By itself it could refer to a number of different stages in a take-over. It could be the date on which holders of over 50 per cent in nominal value of Seller accept the offer, whether it is unconditional or not. It could also mean the date on which the holders of over 50 per cent in nominal value of Seller accept the offer or Takeover declares it unconditional, whichever is the later date. Finally, it could mean the date on which Seller becomes a subsidiary. As the whole of paragraph 15 of the Eighth Schedule deals with the consolidation of a subsidiary's accounts and paragraph 15 (5) is meaningless, except within that context, it could be argued that 'acquisition' means 'acquisition so as to make Seller a subsidiary'.

### Choosing the Acquisition Date

In practice there is a good deal of leeway for choosing the acquisition date and the guiding rules are therefore pretty wide. If it is desired to make the compensation payment rank as pre-acquisition, payment should not be made after Seller becomes a subsidiary. If it is desired to make the compensation payment rank as post-acquisition, it should not be paid before holders of 50 per cent in nominal amount of Seller have accepted the offer.

Unless the acquisition offer provides for proxies in favour of Takeover, Seller shareholders do not

hold their voting powers in trust for Takeover and therefore Seller does not become a subsidiary until 50 per cent of its shares are registered in the name of Takeover, or its nominees, or until Takeover's directors are in control and at least one share is registered in the name of Takeover or its nominees or until 51 per cent of the shares have been paid for. There is therefore extra flexibility in fixing the final acquisition date.

It is interesting to see the results of fitting the compensation into the different periods. If it is treated as pre-acquisition it will increase the cost of the shares acquired, in the same way as if Takeover had made the payment, and throw up a bigger goodwill figure *pro tanto*. This has the benefit that any profits of Seller after the consolidation date are 'clean' and will not be depressed by the compensation so as to give a disappointing first-year yield on the investment.

If the compensation is treated as post-acquisition, it will reduce the distributable profits taken into the consolidated group accounts but lead to a lower goodwill figure. This is the converse of treating it as pre-acquisition. The post-acquisition effect is 'once for all', whereas a higher goodwill would, of course, persist in future accounts until written down.

Where Seller made the compensation payment so as to be tax deductible, that is, it was made in the ordinary course of business and not in connection with or in consequence of a take-over, then the payment can be apportioned over the year on a time basis so that part falls as pre- and part falls as post-acquisition. This method can be considered when the compensation is high in relation to the profits as it minimizes the disadvantages of treating the payment either as pre- or post-acquisition.

All this goes to show that not only tax but accounts presentation problems arise in a take-over, which can be vital, and that a company's choice of action can be cut down inadvertently by over-loose drafting of the acquisition offer or by over-hasty registration when the bid is successful without working out the consequences in advance.

### Settlements

The lawyer and the accountant should work together from the beginning of any take-over operation where compensation is involved, or indeed where the presentation of consolidated accounts becomes of importance so as to avoid any such pitfalls.

After all the shouting has died down on a take-over there are normally settlements to be made for the advantages they offer in respect of death duties and taxation. I have only two points to make on these.

I sometimes see settlements where the trustees consist of an accountant and a solicitor, with the accountant as the first-named. It seems to me, however, that the solicitor should be the first-named. Not for any reasons of pride or precedence but solely because the accountant, who is the trustee, or his

firm audits the trust accounts and, if he is first-named and receiving the dividends and so forth, he is virtually auditing himself.

The other point is that perhaps we, as professional people, ought to keep a closer eye on settlements to ensure that loans are not made to trustees by a wife of the settlor (the repayment is income), and generally on the tangled web of legislation connecting companies with settlements.

### Company Formation

There is one other aspect which touches upon the field of both solicitors and accountants. A solicitor is often called upon to form a company and in preparing the memorandum and articles of association he tries, as far as possible, so to prepare the documents of incorporation that they give the company not only the appropriate powers required for the purpose of its business but regulate the relationships between the shareholders themselves. It is surprising how involved and different they can be, ranging from the joint companies with equal rights between the members and so popular in international business, to the small family company with the problems of succession to shares and directorships.

But it sometimes happens that clients come along who already have a company which they have bought from a business agency or have had formed for them and they are put to additional expense in having the articles of association changed so as to deal with the special relationships that arise. I have known many a business man feel frustrated because he wanted his company to borrow money quickly and there was some defect in the borrowing powers, or he wanted share options and there was no power to grant them or

there were articles giving a director full control over the company as governing director without regard to the effects of sections 46 and 47 of the Finance Act, 1940, and its amendments.

It seems to me that there ought to be more co-operation between solicitors and accountants with regard to the formation of companies. It is not only the technicality of formation that is involved when people want to form a company, there is the human aspect of the relationship of the shareholders between themselves. I think both accountants and solicitors have a useful function to perform together in advising clients on these matters.

### Joint Discussion Groups

I am so convinced of the necessity for close co-operation between accountants and solicitors that I would even go so far as to suggest joint discussion groups between them. For instance, I would propose, as the first subject for discussion, the question as to whether a company is really the right medium for people who wish to trade together. Indeed, if differential profits tax is to be introduced, or if the profits are likely to be fairly small, I can see more reasons against a trading company for the small firm than there are reasons for it, and what price limited liability?

The story is told of a well-known character who was asked by a friend if it was true that he constantly beat his wife with a stick and she clouted him over the head with a rolling pin. His answer was, 'That is not strictly true, sometimes we change over'. I sometimes feel that this love-hate relationship exists between solicitors and accountants. My hope is that we neither beat each other nor clout each other over the head in the future.

## Weekly Notes

### CHRISTMAS GIFT VOUCHERS TAXED

THE Court of Appeal has upheld the decision that £10 gift vouchers given by a firm to its staff at Christmas attract Schedule E tax on their value (*Laidler v. Perry*; *Morgan v. Perry* (*The Times*, June 5th)).

The employer was Associated Lead Manufacturers Ltd which was carrying on a long-established

tradition of family businesses to which it had succeeded. Since 1948 it had been the practice throughout the group for all executive and office staff (numbering about two thousand three hundred), who had been employed for more than ten months, to be given at Christmas a £10 voucher on the shop of their choice. It had been conceded that the market value of such a voucher was its face value of £10, but the employees appealed against the inclusion of this £10 in their taxable emoluments. The Special Commissioners found that the value was assessable under Schedule E, since the voucher was given for services. They were upheld by Pennycuik, J., and now by the Court of Appeal, on the ground that the Commissioners' finding was one to which they could reasonably have come. The Master of the Rolls said a bottle of whisky at Christmas might have been different. The voucher was also a 'benefit' within section 161 of the Income Tax Act, 1952.



**PAYMENT FOR 'EXCLUSIVITY'  
DISALLOWED**

THE Regent Oil Co Ltd has lost its appeal to the Court of Appeal against the disallowance for tax purposes of a payment of £5,000 in 1956, and payments of £195,699 in 1959 made to owners of petrol service stations, under arrangements to secure exclusive sales of Regent products.

The transactions were in the form of a lease and sublease. The retailer leased his service station to Regent for a number of years at a nominal rent in return for a lump sum called a 'premium'. Simultaneously Regent leased the station back to the retailer at a nominal rent for the same term less three days. The sublease contained clauses binding the retailer to carry on business at the station and to take all supplies of oil etc. from Regent. The premium was based on the gallonage which it was expected would be sold by the retailer during the term.

The Master of the Rolls said that in their legal form the lump sums were clearly expenditure of a capital nature paid by Regent in order to acquire a lease for a term of years at a nominal rent. In their business sense the payments were equally capital, they brought the exclusive rights to sell Regent's oil for a number of years. The payment was made once and for all and brought an enduring benefit. Accordingly it was capital expenditure, and therefore not a permissible deduction (*The Times*, June 9th, 1964).

**COST ACCOUNTANTS' NEW PRESIDENT**

MR JOHN PEARSON WILSON, F.C.W.A., F.C.I.S., a consulting cost accountant in Coventry, has been elected President of The Institute of Cost and Works Accountants for the year 1964-65.



Mr J. P. Wilson

Born in 1909 and educated at Wolverhampton Grammar School, Mr Wilson joined the Goodyear Tyre & Rubber Co (Great Britain) Ltd in 1928, where, after a period in the general accounting department, he joined the cost accounting department. Four years later, in 1932, in which year he was admitted to mem-

bership of The Chartered Institute of Secretaries, he took up the appointment of cost accountant with Scribbans & Co Ltd, a position he held for a few years before moving first to the Midland Motor Cylinder Co Ltd and then to the Austin Motor Co Ltd. In 1935 he was admitted to membership of The Institute of Cost and Works Accountants.

From 1939 to 1941, Mr Wilson was chief account-

ant of the Daimler No. 2 Shadow Factory and then embarked upon cost consultancy until 1943 when he joined Stewarts and Lloyds Ltd as assistant to the chief cost accountant. He resigned in 1946 to practise as a consulting cost accountant. Eight years later he became financial director of the Aluminium Division of Tube Investments Ltd and subsequently financial director of the plastics companies of the group, but returned to private practice in Coventry in August 1960.

Mr Wilson became a member of the Council of the Institute in 1948 and the drafts of two Institute publications - *An Introduction to Budgetary Control*, *Standard Costing*, *Material Control and Production Control*, and *A Report on Marginal Costing* were prepared by him. In 1957, at the Seventh International Congress of Accountants held in Amsterdam, he presented a paper on 'Budgeting and the modernization of accounting'.

Mr Harry Hodgson, F.C.A., F.C.W.A., Comptroller of Fisons Ltd, has been re-elected a Vice-President of the Institute for a second year. Mr W. L. Spalding, B.Sc.(ECON.), C.A., F.C.W.A., F.C.I.S., Assistant Secretary of Decca Ltd, has also been elected a Vice-President.

**UNIVERSITY TRAINING CRITICIZED**

SOME highly critical remarks were made about University training as a forcing-house for decision makers by Mr S. P. Chambers, chairman of Imperial Chemical Industries Ltd last week. He was giving the Chuter Ede Memorial Lecture to the National Union of Teachers under the title of 'Education and Industry'.

He said that some top-rank public schools and university colleges produce men of brilliant academic achievement who have poor judgement, no power of decision and no capacity to delegate work or to control men. In his view, university life with its intellectual and inconclusive discussions at post-graduate level was bad training for the real world. Men of high academic attainment could be the tragedies of industry because their deficiencies were not revealed in their academic record nor normally detectable by interview.

Training in the principles of management at a later stage, he went on to say, will not repair the deficiency. He thought that the inability of Britain to produce sufficient good academic men who could grapple with non-academic problems was perhaps because university education was in the hands of men who had not these qualities themselves.

**ROOTES AND CHRYSLER**

LAST week Rootes Motors Ltd announced that the Chrysler Corporation of the United States are to acquire a 30 per cent holding of its ordinary shares, which are voting shares, and 50 per cent of the 'A' (non-voting) ordinary shares. The value of the offer is about £12.3 million. Rootes intend to offer an issue

to shareholders within the next eighteen months to implement the proposed development and expansion plans. The Chrysler car and Dodge truck activities in Britain will be merged with Rootes.

Chrysler are the smallest of the three largest car manufacturers in the United States but they already own Simca in France and they have an assembly plant in Belgium. They have been known for some time to be seeking another foothold in the European car industry. It has not escaped notice that Chrysler's interest in Simca was originally only a minority one and has since grown into control, followed by a management make-up. Rootes insist that the control of their company is tightly held and that effective

control will stay with the family. They naturally expect big advantages from the Chrysler connection in selling their cars in the United States.

From the beginning of this week, however, political overtones have been added by the decision of the Opposition to attack the proposed association (which still has to obtain official approval). They object to further U.S. participation in the British motor vehicle industry. Vauxhall Motors and Ford Motors are already U.S. owned. The attack, whatever may be said about this particular case, involves an issue of principle. Shall there be an international flow of capital and technical knowledge or shall there not?

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 228

WE hold a weekly meeting of section leaders of the accounts department where information and views are exchanged. Though some of the over-cute men tend to sit silent lest they compromise themselves by saying the wrong thing (a rather cowardly approach), still in general these meetings show a good pay-off. As befits the profession, light rather than heat is emanated. But not always. . . .

Our plump departmental accountant, listing the last quarter's sales and gross profits, paid special tribute to the Books and Stationery Department. An all-time record, he said impressively; sales up by 16 per cent, gross profit up to 29 per cent; excellent.

It was pleasant to see literary leanings pay dividends, we mused; to note the rush of the affluent society towards education and erudition. We had art volumes and first editions, special children's illustrateds and reprints, magazines and paperbacks. Today paperbacks, besides fiction cover biography and science and poetry and all that's noblest in our native tongue. 'Reading maketh a full man', I quoted Bacon, eyeing with some asperity our new cost accountant. His racy phraseology and habit of splitting infinitives are hardly the standard expected of the profession.

But that thick-skinned character ignored the asperity. To him the pure wells of English undefiled are just more wells. 'Paperbacks! Now, that's the stuff to give the troops, and how!' he grinned. 'It's the hot stuff that sells. Have you had a decko at that display-stand in the rear alcove. Whew-w! Just as well we don't have a censor here!'

The departmental accountant crushed this elec-

trifling outburst with the offhand ease of seniority. 'Where's there's muck, there's brass', he said, and would have passed on to Boots and Shoes, but the office manager interrupted sharply. Not for all the brass in Gehenna would that worthy lower his principles. A staunch upholder of decent standards of behaviour and morality, his terse reference to 'Them as likes muck, etc,' heated up the controversy.

When the sparks were flying I turned on the suave diplomacy and adjourned the meeting. Strolling thoughtfully down to the Book Department, I became aware of others behind me, pink-faced and tightlipped . . . the grapevine had been active . . . we looked like the storming party in the breach at Badajoz.

We passed shelves lined with everything from Aristotle to Zola; counters colourful with the latest volumes; wire stands of paperbacks; no doubt of it, the covers were provocative of interested reaction. Then the rear alcove . . . yes, whew-w and whew-w again! As Costs had remarked, hot stuff, indeed. Really, some of those illustrations were a bit much. Surely we don't have to stoop to that sort of thing. With a momentary pang of farewell to 29 per cent gross, I felt impelled to protest.

The departmental manager was a sleek black-haired character of rather patronising demeanour. So far as he was concerned, he explained, he merely sold what the public wished to buy. He was neither an arbiter of taste nor a judge of behaviour; personally, he saw no more harm in them than in his boyhood Buffalo Bills which catered for a similar crude adolescent level. He hadn't quite the nerve to say it wasn't any of my business, and we were still on the right side of courtesy until the office manager put his outraged feelings into blunt words.

I propose to take the point to the managing director for a ruling, though I feel it will only entail a rebuff. Defeats are unpleasant but a principle is at stake. . . . I wonder what gross profit they used to make trading black slaves to the colonies, or selling fire water to the Indians, before someone protested?

# Finance and Commerce

## D. Sebel

**N**OTICE has been received from Mr P. J. Kennett, C.A., A.T.I.L., a registered holder of 500 ordinary shares of the company, pursuant to sections 142 and 160 of the Companies Act, 1948, of a resolution to be submitted to the annual general meeting convened for June 24th, 1964, in the following terms: "That the retiring auditors, Messrs Franklin, Wild & Co shall not be reappointed".

So runs a notice included with the report and accounts of D. Sebel & Co Ltd which form this week's reprint. The directors, the notice adds, 'have notified the auditors of the proposed resolution; the auditors have stated they have nothing to add at this stage to the remarks in the directors' report, the chairman's statement and the auditors' own report. The auditors have, however, added that a partner of their firm will be attending the annual general meeting and will answer any relevant questions'.

The point at issue is the past overvaluation of the company's stocks and work in progress. Reduction in the book value of stocks means that the 1963 accounts show a trading loss of £81,623 against a profit of £152,292.

## Investigation

In their report the directors state that when the physical stocktaking at December 31st, 1963, was completed, it became apparent that stocks of steel and work in progress, which had been certified by the late managing director, had in the past been substantially overvalued.

In conjunction with the auditors an investigation was made 'but as many of the original records from which the stock were compiled cannot now be traced it has not been possible to ascertain when this discrepancy arose and it must, therefore, be assumed that it was the result of a cumulative overvaluation over a number of years'.

'In these circumstances', the directors add, there was 'no alternative but to rectify the position at the end of the year, by reducing the book value of the stocks and work in progress to what is regarded as its true present value, thus throwing up a loss for the year under review'.

The directors are satisfied that, this factor apart, the company traded profitably and a final dividend of 5 per cent is being paid out of reserves.

## Accumulation

In his statement, the chairman, Mr Leonard Sainer, amplifies the statement made in the directors' report. He refers to the deaths during the past year of Mr David Sebel, the founder of the company, and of Mr C. A. Rassier, who was an executive for over thirty years and managing director for the past twelve.

'In the past', Mr Sainer says, 'stocks of steel and work in progress have been valued and certified by the managing director and neither the other directors nor the auditors had any reason to question such valuation which appeared to satisfy all tests which could normally be applied to check it'.

'When, owing to the serious illness of our managing director, other executives took charge of the stock-taking and valuation, it appeared that the stocks of steel and work in progress had previously been substantially overstated and overvalued'.

Mr Sainer then repeats the directors' statement that it has been impossible to ascertain when the overvaluation arose, the assumption being that it represents an accumulation over a number of years.

## Reorganization

Towards the end of last year, when it was clear that Mr Rassier was seriously ill, Mr W. J. Stevens, general manager, Mr H. Scoblow, sales manager, and Mr A. E. F. Nicholson, F.C.I.S., the company's secretary, were appointed directors. They, in addition to the chairman and Mr J. W. Park, F.C.A., F.C.W.A., now constitute the board.

The new directors, Mr Sainer says, are working as a team in conjunction with a committee of the other chief executives. The team has worked most successfully and as the result of suggestions and discussions, the whole of the business is being thoroughly reviewed to see what improvements can be effected in manufacturing and sales techniques and in the quality and appearance of the company's products. Mr Sainer says that much remains to be done but considerable progress has been made this year.

The Sebel company makes 'Mobo' toys, 'Jetex' toys and kits as well as furniture under the 'Stak-a-Bye', 'High Style', 'Nest-a-Bye' and 'Sebel' trade names. The company is also in airborne communications and aircraft maintenance apparatus and pressings and fabricated assemblies for the motor, aircraft and engineering industries.

## 'Names' on the Board

**N**AMES on the board is the current phase in unit trusts; Mr Richard Dimbleby and Lady Isobel Barnett were noted in this column a while back as being connected with the Leisure and Family Savings Trusts, respectively. Now, on the board of the new Growth with Security Trust are a Conservative M.P., Mr J. V. Woolam, and Lady Gaitskell. This, presumably, is intended to show that investment is non-political.





## CITY NOTES

THE stock-market monotony of sliding prices and fading business has been relieved by an outbreak of 'bids and deals' with the Chrysler-Rootes affair the biggest discussion point. The Viyella International Corporation's intended take-over of - or merger with - The Bradford Dyers' Association and a possible Rank Organisation-Mecca deal are other major operations exciting interest.

Without these and other developments contributing to what looks like a final pre-Election fling in the new issue market, the Stock Exchange would hardly be a particularly exciting place. Stockbroking comment in the June market reviews ranges from the 'We told you so' of brokers who have been urging clients to go liquid, to an almost despairing document which asks 'What the hell is going on?' and deplores the pervading atmosphere of 'nothing but cynicism and despair, and an almost unhealthy worship of the public opinion polls'.

What is going on is that, as the flow of encouraging company news begins to dry up and as the General Election date approaches, the rank and file of investors are creeping into their shells with the object of staying there until the stock-market weather outside looks less rough.

Once investors do that, only a basic change in conditions will make them do otherwise - and where is the basic change to come from?

\* \* \* \*

ONE point thrown up by the Chrysler-Rootes affair is the near futility of repeated denials of merger intentions by company boards once the stock-market is convinced that something is going on. In some cases denials of deals afoot are made categorically and with

good reason - the market rumours are wrong. But so often are the denials proved, to say the least, premature, that boardroom statements on this question cut very little ice.

It must be frustrating to a company chairman who makes a perfectly genuine denial of deal or merger rumours to find that his denial seems to have no other effect than to heighten the volume of rumour still further; but the few have to suffer because of the many denials which go astray. At least no chairman has yet been bold enough to state, when a deal is announced, 'This confirms my previous denial'.

\* \* \* \*

PUBLICITY surrounding the wider introduction of stamp trading has mercifully died down. It looks as though the trading stamp companies, having established a bridgehead in some of the bigger retailing groups, are finding some difficulty in breaking out from it.

The chairman of the Pricerite company which operates a chain of supermarkets in the south says that the introduction of trading stamps last October immediately led to higher turnover and customers liked them. Even so, the directors want to see the result of a full year's trading on this basis before they draw any final conclusions on its value.

\* \* \* \*

SEASONALLY high car business was mainly responsible for a further jump of £18 million in the hire-purchase debt in April to a total of £1,003 million at the end of the month. This was £122 million (14 per cent) more than a year earlier.

## RATES AND PRICES

Closing prices, Wednesday, June 10th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 11/32	Frankfurt	11.10 1/2
Oct. 5, 1961	6 1/2%	April 26, 1962	4 1/2%	Montreal	3.01 1/8	Milan	1745 1/2
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.10 1/4	Oslo	19.97 1/2
Mar. 8, 1962	5 1/2%	Feb. 27, 1964	5%	Brussels	139.13 1/2	Paris	13.69 1/2
				Copenhagen	19.30 1/2	Zürich	12.05 1/2
Treasury Bills				Gilt edged			
April 3	£4 6s 0.12d%	May 8	£4 5s 11.47d%	Consols 4%	64 1/2	Funding 3% 59-69	90 1/2
April 10	£4 6s 0.25d%	May 15	£4 7s 3.60d%	Consols 2 1/2%	40 1/2	Savings 3% 60-70	87 1/2
April 17	£4 6s 0.41d%	May 22	£4 7s 8.75d%	Conversion 6% 1972	105 1/2	Savings 3% 65-75	79 1/2
April 24	£4 6s 0.47d%	May 29	£4 7s 6.17d%	Conversion 5 1/2% 1974	98	Savings 2 1/2% 64-67	93 1/2
May 1	£4 5s 11.91d%	June 5	£4 8s 6.92d%	Conversion 5% 1971	97 1/2xd	Treas'ry 5 1/2% 2008-12	90 1/2
Money Rates				Conversion 3 1/2% 1969	92	Treasury 5% 86-89	86 1/2
Day to day	3 1/2-4 1/2%	Bank Bills		Conversion 3 1/2%	56	Treasury 3 1/2% 77-80	75 1/2
7 days	3 1/2-4 1/2%	2 months	4 1/2-4 11/16%	Funding 5 1/2% 82-84	94 1/2xd	Treasury 3 1/2% 79-81	76 1/2
Fine Trade Bills		3 months	4 1/2-4 11/16%	Funding 4% 60-90	93 1/2	Treasury 2 1/2%	40 1/2
3 months	5 1/2-6 1/2%	4 months	4 1/2-4 11/16%	Funding 3 1/2% 99-04	62 1/2xd	Victory 4%	97 1/2
4 months	5 1/2-6 1/2%	6 months	4 1/2-4 11/16%	Funding 3% 66-68	91	War Loan 3 1/2%	55 1/2
6 months	6-7%						

# Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## Self-checking Number Codes

SIR, — It was interesting to read Mr T. W. McRae's article on 'Self-checking Number Codes', or check digit verification (C.D.V.), as it is called in manufacturers' terms, in your issue of May 16th. There are, however, a number of points which require clarification to the layman as the value of C.D.V. can be over-emphasized.

If you take as an example a trading concern, the product code number and unit price from the time of purchase order to the time of sale in a branch, can be copied by non-clerical labour as much as seven times. In my experience, where the code is greater than six digits, the rate of error is very large — something like 25 per cent in the example above — so that the use of C.D.V. is important in detecting the errors, but the important point is that it does not prevent these errors occurring. In fact, C.D.V. only proves that a valid code has been used, not that it is the correct code. For example, a storekeeper reads the description of a part, but transposes lines so that he copies the valid code relative to the next line; this, in fact, will be accepted by any system.

Mr McRae appears to propound the theory that C.D.V. is the answer where E.D.P. input documents are being created at source. The fact remains that the personnel who have to initiate this data object to paper work and the answer is to provide them with the modern tool of recording, i.e. the data collection system, where all standard data, e.g. job number, batch number, assembly number, etc., are in the form of pre-punched tab or edge punched cards, the transaction being recorded by feeding the card into the transmitter and the variables indexed, e.g. quantity.

With regard to the examples of C.D.V. shown in the article, I would point out that under method C, the most common models available do not have

power weights of 1 to 7, but 1 to 10. Furthermore, the simple single progression is not 100 per cent foolproof, though some manufacturers may say so. If, for example, we take the code number 2905, the check digit is calculated as follows:

Rows	1	2	3	4	5	6
Code	2	9	0	5		
Weights	×6	×5	×4	×3	×2	×1 (i.e. check digit)
	= 10	+36	+0	+10	=56	=10 check digit

Complete code = 2905—10

If the code is entered as 29005—10, i.e. a transcription error, the single progression weighting system of C.D.V. will not locate the error, e.g.

Rows	1	2	3	4	5	6
Code Entry	2	9	0	0	5	—10
Weights	6	5	4	3	2	1
	+12	+45	+0	+0	+10	+10=77

i.e. 77 is divisible by 11, and therefore accepted by the verifier, yet the code is invalid. This condition will, in fact, exist wherever the powers of two rows together equal the sum of 11, i.e. in this case rows 1 and 2 have powers 6 and 5.

Alternatively, if we allocate the power weights using a 'binary' divisible by 11, and use the remainder as the weight, this would prevent the above error: e.g.

Rows	1	2	3	4	5	6
Binary	32	16	8	4	2	1
Cast out 11s	22	11	—	—	—	—
Remainders = 10	5	8	4	2	1	
	2	9	0	5		
Weights	5	8	4	2		
	+10	+72	+0	+10	=92	=7

Complete Code = 2905—7

If we now enter 2905—7 as 29005—7, the new weighting system will locate the error as the sum comes to 82 which is not divisible by 11.

There are on the market today some systems which employ 'check letters', the point to note is that these systems do not use the equivalent position of the letter in the alphabet, but are simply alpha engraved key tips programmed on a normal numeric key value.

Yours faithfully,  
JOHN WATT, A.C.A.

Macclesfield.

## CORRECTION

We regret the misprints in the published letter from Mr P. L. Griffiths in last week's issue. The sentence in question, which appears in the second column of page 737, should read as follows:

'If  $P_2V_2 - P_1V_1$  is shown as  $P_1V_2 - P_1V_1 - [P_1V_2 - P_2V_2]$  or better still as  $P_1[V_2 - V_1] - V_2[P_1 - P_2]$  then the relationship with elasticity of demand

$$\frac{P_1 [V_2 - V_1]}{V_2 [P_1 - P_2]}$$

can be clearly demonstrated.'

**Personal Accident Insurance**

SIR, - I was interested in reading the article which appeared in May 23rd issue of *The Accountant*.

In this morning's Press I see that a company insured its president for £1 million. This is obviously a news-worthy item and splashes the name of the

company round, but what in hard cash would a company receive out of a million if the insuree were unfortunate enough to lose his life?

Yours faithfully,  
(Miss) N. BUNCE, *Secretary*,  
BIRMINGHAM. BOXFOLDIA LTD.

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### SPECIAL AND ORDINARY MEETINGS OF THE COUNCIL

At special and ordinary meetings of the Council held on Wednesday, June 3rd, 1964, at the Institute's temporary offices at City House, 56/66 Goswell Road, London EC1, there were present:

Mr Robert P. Winter, C.B.E., M.C., T.D., D.L., President, in the Chair; Mr W. Guy Densem, Vice-President; Messrs J. Ainsworth, C.B.E., J. F. Allan, G. R. Appleyard, W. L. Barrows, T. A. Hamilton Baynes, J. H. Bell, C. J. M. Bennett, Sir Henry Benson, C.B.E., Mr P. F. Carpenter, Sir William Carrington, Messrs G. T. E. Chamberlain, C. Croton-Smith, S. Dixon, W. W. Fea, Sir Harold Gillett, Bt, M.C., Messrs J. Godfrey, G. G. G. Gault, P. F. Granger, L. C. Hawkins, C.B.E., J. A. Jackson, H. O. Johnson, R. O. A. Keel, Sir William Lawson, C.B.E., Messrs R. G. Leach, C.B.E., R. B. Leech, M.B.E., T.D., E. N. Macdonald, D.F.C., R. McNeil, J. H. Mann, M.B.E., R. P. Matthews, W. Bertram Nelson, C.B.E., F. E. Price, L. W. Robson, Sir Thomas Robson, M.B.E., Messrs J. D. Russell, R. G. Slack, D. Steele, A. G. Thomas, A. H. Walton, R. Walton, M. Wheatley Jones, E. F. G. Whinney, E. K. Wright, Sir Richard Yeabsley, C.B.E.

**ELECTION OF PRESIDENT**

**The President:** Gentlemen, the first item on the agenda of the ordinary meeting is to elect a President and Vice-President for the ensuing year. I call upon Sir Thomas Robson.

**Sir Thomas Robson, M.B.E., M.A., F.C.A.:** Mr President, a pleasant annual duty of this Council is to elect a President of the Institute. By the courtesy and kindness of the Council an annual privilege of the senior past President is to propose the name of a candidate for the Council's consideration. I am pleased and proud to exercise that privilege today.

My proposal is supposed to be a well-kept secret but you would be very surprised and disappointed if I were to submit a name other than the one which you will shortly hear. There is, however, no need for me to be the cause of disappointment nor to delay further in stating my proposition that Mr Guy Densem should take over from you today, Mr President, your honourable position and onerous duties as President of the Institute.

We hope that Mr Densem will win in the same way and to the same extent as you have so brilliantly done, the confidence of those who are privileged to sit in this room and of that wider circle of the members of the Institute, of the representatives of other accountancy bodies and of the governmental authorities and the general public. We are confident that he has the necessary qualities of leadership and devotion for this purpose, for we have seen these qualities in action over

Mr Densem's fourteen years' hard labour in the Taxation and Research Committee, on the Council and in a variety of its Committees.

If, as I have no doubt it will, this proposal commands your support, Mr Densem will take a place previously occupied by no less than five of his predecessors as partners in the great firm of which he is the head. W. W. Deloitte, J. G. Griffiths, Lord Plender, Sir Arthur Cutforth and Sir Russell Kettle, names of men who did so much to raise the public esteem in which our Institute is held. These are all names of men to whom Guy Densem will be a worthy successor. He comes to us thoroughly imbued with the traditions of service which they exemplified and has shown by his past service to the Institute how well he has learned the lessons which their record supplied for him.

There is something in the blood of some of those from Bristol which drives them forth in search of something they know not what. The Cabots set sail westward from that port and discovered Newfoundland. A little over four hundred years after them Densem set sail eastward as a newly-qualified member of this Institute and discovered London. Eighteen years passed and he broke through the barriers to become in 1946 a partner in his firm. Eighteen years more passed and, if my judgement is right, the barriers will be down again today and bring him triumphantly and deservedly to the highest honour which the accountancy profession can confer on any of its members.

Mr Thomas, whose remarks are to follow mine, will make up for my deficiencies. Therefore, I do not fear that Mr Densem will suffer from any inadequacy on my part in introducing my proposal.

Mr President, I accordingly propose, with the greatest pleasure, that Mr Wilfrid Guy Densem be elected President of the Institute for the year 1964-65 and ask you to call on Mr Thomas to second the resolution. (*Applause.*)

**Mr A. G. Thomas, F.C.A.:** Mr President, there can be few occasions in one's professional life more pleasurable than that on which one is able to give public recognition to the qualities of a friend and colleague by electing him to a great office. I share in that pleasure today when with all my heart I support the proposal of Sir Thomas Robson that Wilfrid Guy Densem be elected our next President.

We have all been told many times that this year is the quatercentenary of Shakespeare's birth and when I was kindly offered the opportunity of supporting this proposition my first thought was what Shakespeare



would have done in these circumstances; apparently his approach would have been

'Before we make election give me leave  
To show some reasons, of no little force  
That Densem is most meet of any man'.

Gentlemen, I am not going to show you any such reasons, because he is well known to you all. He has done so much for the Institute in his seven years on the Taxation and Research Committee and nine years as a member of this Council that there can hardly be anyone here today who has not had the pleasure of working with him on one or more of the many committees of which he has been chairman or member.

But perhaps you will allow me to refer to one aspect of the work of the Institute in which he has taken a special interest and for which he has great enthusiasm; I refer to student training and examinations. These are matters on which much re-thinking is being done and this Council has recognized their importance by devoting a very considerable amount of time and thought to them. A great deal has already been accomplished but more will be before us in the coming year and Guy Densem's knowledge and experience in this field give him a special qualification at this time to preside over our debates and give us guidance.

It is no secret that the office of President of this Institute makes heavy demands upon the time and energy of the holder and calls for the exercise of great personal qualities. I am confident that he has those qualities, and we have seen in the past that he gives unstintingly of his time and energy to the Institute's affairs. It is therefore with the greatest possible pleas-

ure that I second the proposition put by Sir Thomas that Wilfrid Guy Densem be elected President of the Institute for the forthcoming year. (*Applause.*)

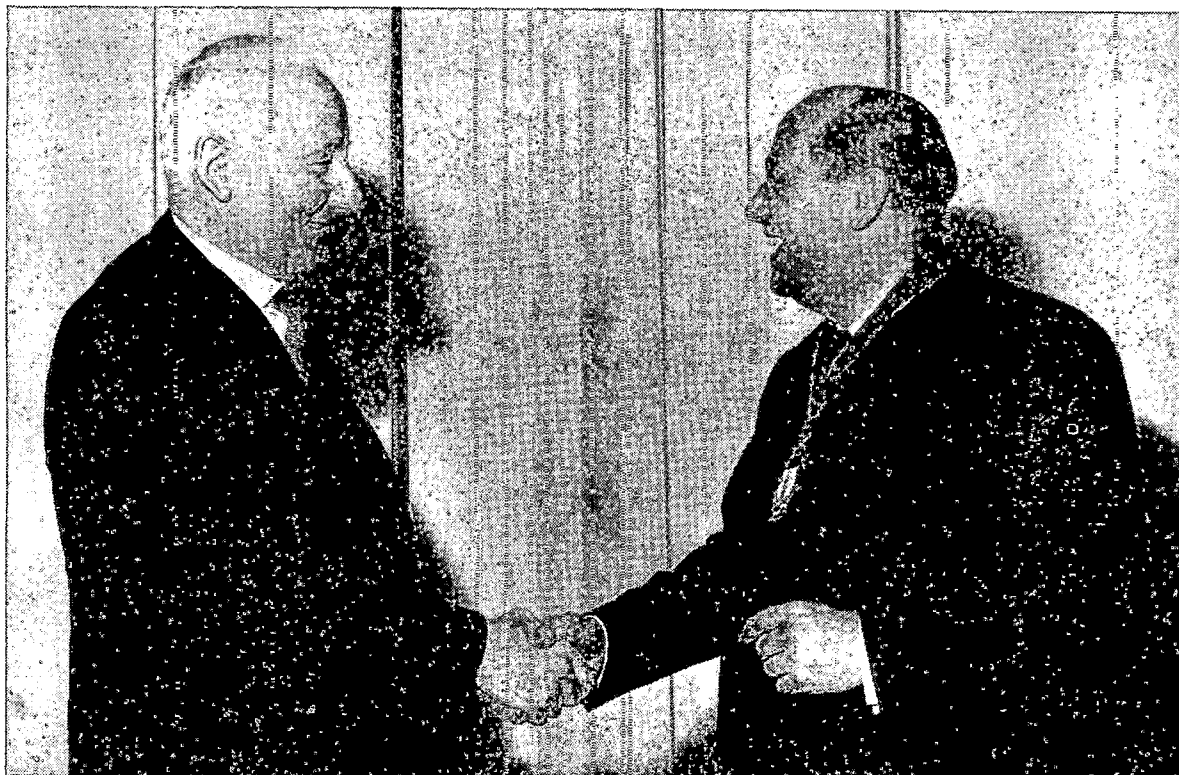
**The President (Mr Robert P. Winter):** Gentlemen, it has now been proposed and seconded that Mr Wilfrid Guy Densem be elected President of this Institute for the ensuing year. Those in favour? (*Cries of 'All'.*) Thank you, gentlemen: that is carried unanimously. (*Acclamation.*)

**Mr Densem** was then invested with the badge of office, took his seat in the chair and said: Thank you, Sir Thomas for the kind things you said about me in proposing my election to this high office, and you, Mr Thomas, also. Thank you, Sir Thomas for that little bit of arithmetic; I had not done it myself.

Gentlemen, I deeply appreciate the way you have received this proposition, and especially for the friendliness which I find very heartening. I still find myself somewhat surprised that I should be wearing this wonderful badge which is an outward sign of the highest office which an accountant can be offered by his colleagues.

During my year as Vice-President, I was lucky to serve under Mr Winter, who was an excellent mentor, and he gave me some insight into the manifold duties falling upon a President. With your help and support, gentlemen, I shall endeavour to maintain the high standards of service to our Institute set by a long line of former Presidents.

If we are to keep in the forefront of our profession, the coming year will be a busy one even if no new



Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A. (left), the retiring President of the Institute, welcoming the new President, Mr W. G. Densem, F.C.A.

projects emerge, and one must remember that some members do think that there are problems calling for at least some preliminary thought. Among the important tasks that must be dealt with are the first examinations under the new system, the expansion of our education and training facilities for articled clerks, the implementation of the post-qualification Certificate in Management Information, and a careful consideration of the facts emerging from the Practitioner Enquiry. All this is in addition to the normal work of the Council which some of our members tend to underestimate. There is also much to be done if we are to get the greatest benefit from the enlarged research programme, and we must make our proper contribution in the international field.

I nearly forgot to mention our temporary home – perhaps, at the moment, a hot-house and a timeless chamber are not inappropriate.

In conclusion my thanks are due to my partners and the senior members of my staff who have cheerfully undertaken greater burdens to enable me to accept this office. Thank you, gentlemen, and I hope I will prove worthy of the confidence you have expressed in electing me. (*Acclamation.*)

#### ELECTION OF VICE-PRESIDENT

**The President:** The next business, gentlemen, is to elect a Vice-President and I call upon Sir William Carrington.

**Sir William Carrington, F.C.A.:** Mr President, may I first congratulate you on the achievement of this office and wish you well in your period of occupancy. Gentlemen, once again it is my privilege to suggest to you the name of the Member of this Council whom the past Presidents unanimously recommend for election as Vice-President of the Institute.

The name I bring to you today is that of Mr Robert McNeil, who has served a most befitting apprenticeship for this responsible office.

Mr McNeil was born in 1904 and was admitted to membership of The Society of Incorporated Accountants in 1925, on completion of five years' service under articles and having been awarded the Sixth Certificate of Merit in the Society's Final Examination. He joined the staff of the firm of which he is now Senior Partner, Messrs Nevill, Hovey, Gardner & Co, in September 1925, entered into Institute Articles in January 1930 and was placed Third in the Institute's Final Examination in November 1934. He was admitted an Associate of the Institute and a partner in his firm in 1935. He was an initial member of the former Taxation and Financial Relations Committee. He has rendered great service to the South Eastern Society of Chartered Accountants, first having been Assistant Secretary and then Secretary of the Society from 1937 to 1945. He was President of the Society in 1947-48, in which year there was held at Brighton the Institute's first post-war autumnal meeting. Those who were fortunate enough to be present will recall what a successful gathering it was, and a great deal of that success was due to Mr McNeil's driving force and untiring efforts. Having served his District Society so well, it was quite natural that, when a vacancy arose in their representation on this Council in October 1953, he should be elected to fill it. Since then, Mr McNeil has served with diligence

and perspicacity on several Committees of the Council including the Examination, General Purposes and Applications Committees, of which latter he is presently Chairman.

In days gone by, Mr McNeil was a considerable athlete. He gained County honours at association football and badminton. I gather he now confines his athletic activities to golf.

With the career that I have just outlined, I suggest that Mr McNeil is extremely well fitted to become Vice-President of this Institute, and it is with very great pleasure that I formally propose that Mr Robert McNeil, F.C.A., of Hove, be elected Vice-President for the ensuing year; I will ask Sir Richard Yeabsley if he will be good enough to second my proposal.

**Sir Richard Yeabsley, C.B.E., F.C.A.:** Mr President, may I first of all add my own personal congratulations to you, sir, and my very best wishes on your election as President. Gentlemen, I am delighted to have this opportunity of endorsing what Sir William Carrington has said regarding Robert McNeil. We are all well aware of his high standing in the profession and the great contribution he has made to it in various capacities – in particular as a Member of this Council and of several of its Committees. We know the arduous duties which fall upon the Vice-President, but I am sure all will agree that Robert McNeil will not shirk responsibility and will prove a great support to you, sir, our new President. That he should have qualified by examination with honours for entry into both the Institute and the Society is an indication of his technical ability which has been so evident in his approach to professional problems. The Institute and the Council in particular, are fortunate indeed to have such a man who has both ability and charming personality and it is, therefore, with very great pleasure that I second the proposal of Sir William Carrington that Mr Robert McNeil be elected Vice-President for the ensuing year. (*Applause.*)

**The President:** Gentlemen, you have heard the proposal and it has been duly seconded. Is it your wish that Mr McNeil should be elected as Vice-President? (*Acclamation and cries of 'All'.*)

**Mr Robert McNeil, F.C.A.:** Mr President, before I say any more may I add my congratulations to those you have already received this morning on your appointment to the high office of President of this Institute.

As you know, the office to which I have been elected will enable me to support you in a way which is perhaps a little more personal than as an ordinary member of the Council, and anything that you ask me to do will not be a duty to me, but an intense pleasure. I most sincerely hope that you have a most enjoyable year of office, and if I can assist you in any way please ask me for anything you wish.

And now I would like to say to Sir William Carrington and Sir Richard Yeabsley that they have overwhelmed me with what they have said today. I am not used to this sort of thing, and I feel extremely humble when such things are said to me. Certainly I feel I do not deserve anything like the approval which has been showered upon me today.

I suppose that in common with all other persons who have been appointed Vice-President of this Institute, I have mixed feelings at this moment. There is, of course, pride and happiness; there is also a little bit

of consternation; there is humility – and, I confess it, a small degree of fear. In fact, when I first heard that this might happen to me, I felt that I would probably be unequal to the task, but then I remembered all the kindness and help that I had received over eleven years from every member of this Council, and I thought I was right in assuming that all the goodwill and happiness would again be offered to me in the years that lie ahead, and that in these particular circumstances I could cast out the greater part of my fear. I am relying very much indeed on still receiving all that help with which you have so generously provided me in the past, and with that help, plus the help I know is bound to come from the Secretariat, upon whom we rely so much, I feel that I have all the things that are necessary for me to endeavour to carry out the great task that lies in front of me. But I want one further thing, wisdom, and for that I pray. Thank you. (*Acclamation.*)

#### VOTE OF THANKS TO RETIRING PRESIDENT

**Sir Henry Benson, C.B.E., F.C.A.:** Mr President, may I also add my congratulations on your joining the Presidential Chair after many years of unselfish devotion to the profession. But, this morning I have an easy and agreeable task, which is to propose a vote of thanks to the retiring President, Mr Robert Pearson Winter.

Mr Winter has followed in the great tradition of Presidents of this Institute – wise, balanced, fair and of unquestioned integrity. But, there is one trait in his character which has shone out above all others during the past year. Under a gentle demeanour he has shown a character of inflexible principle, which enables awkward, and sometimes unpleasant, decisions to be made unflinchingly.

During the past year there have been many difficult professional and administrative decisions to take, and we are lucky indeed that our immediate Past President was so sure of the course on which he was sailing and so certain that he would bring the ship to the right destination.

In December last year we were all distressed to know that he would have to undergo a serious operation, but it is part of the character of the man that within a few days of it, he was conducting correspondence from his bed, and he was back on the job at the Institute some days – probably weeks – before, I suspect, his medical advisers would have thought sensible.

All these qualities, Mr President, have induced a feeling of warm affection by the members of the Council for Bertie Winter, and I am sure that that same feeling of affection has extended very widely throughout the country during the past twelve months. It is for those reasons that I feel very sure of the reception that this proposal will receive in this Council. I hope that although Mr Winter has left the Presidential Chair he will spare many years for continued service to the profession and to this Council. I will ask Mr Croxton-Smith to be kind enough to second this resolution.

**Mr C. Croxton-Smith, M.A., LL.B., J.P., F.C.A.:** Mr President, may I offer my congratulations to you and to the Vice-President, and wish you both a very happy year in office. Mr Winter, it gives me very great pleasure to second this vote of thanks to you. I remember that, at the Council Meeting at which you were elected to this high office, you said that you would travel many thousands of miles between your home

city and the Institute headquarters. That must happen, I suppose, to any President from the provinces, but you have had more to contend with in this way than any of your predecessors, and I would like to thank you, on behalf of all of us, not only for undertaking this year of office, but for the most gracious and cheerful way in which you have carried out your duties. You have spoken at many dinners and functions up and down the country, and have attended many meetings at home and abroad. I know that, wherever you have been, you have upheld, and indeed added to, the reputation of the profession you have so ably represented.

Here in this Council Chamber the problems that have to be contended with multiply alarmingly, but you have presided over us with tact and discernment and have guided us through a most difficult year. You have even settled your family in a new, if temporary, home, something which, I imagine, no other President has had to do, and it was good to see you smiling just the same at the last Council Meeting.

You lay down your burdens, Mr President, with our very grateful thanks for all that you have accomplished, with our hopes that you can get a little rest and with our best wishes to you and your lady for the years to come. (*Applause.*)

**Mr Robert P. Winter, C.B.E., M.C., T.D., D.L., F.C.A.:** Mr President, Sir Henry, Mr Croxton-Smith, and gentlemen, I am very touched by the very generous and kindly way in which you have referred to my work during this last year. To have been President of this Institute for a year is a stimulating and memorable experience, from which one emerges with a sense of pride and gratitude. Pride in having had the honour of holding this appointment; gratitude for the wonderful experience one has had with the work of the Institute at a time when so much is happening in the profession.

We have entered an era in which the accountant has to face the challenge of the scientific age with its impact on industry and our profession, and we have done and are doing a great deal to meet this challenge, but I suggest we have still to direct our minds to many problems which will determine the pattern and the function of our Institute during the remaining part of this century.

As I said, this has been a memorable and to me enjoyable year, largely due to the generous support and encouragement which I have always had from the Past Presidents and from all my colleagues on the Council. I really do appreciate it, because I think holding this job, unless you feel that you have got sympathy and support, can be very hard and lonely. I would especially like to thank you, Mr President, for all the help and support you have given me as Vice-President. There were days, as has already been mentioned like the time when I had to go into retreat – when you very ably stepped into my shoes. And to the Joint Secretaries, and to all members of the Secretariat and staff I want to express my gratitude for their unflinching help and kindness, which has done so much to ease my task and make enjoyable the duties I had to perform.

And finally, I would thank you, Sir Henry, and you, Mr Croxton-Smith, for your all too generous references to my work and what I have done. I am most grateful. (*Acclamation.*)

**Appointments to Committees**

The following Committees have been appointed for the year 1964-65:

*President ex officio member of all Committees other than the Disciplinary and Investigation Committees.*

*Vice-President ex officio member of all Committees other than the Disciplinary, Investigation and P. D. Leake Committees.*

**Applications**

G. T. E. Chamberlain, G. G. G. Goult, R. B. Leech, E. N. Macdonald, R. McNeil, A. G. Thomas, R. Walton.

**Articled Clerks**

T. A. Hamilton Baynes, J. H. Bell, C. V. Best (c), N. Cassleton Elliott (c), H. O. Johnson, D. S. Morpeth (c), R. G. Slack, A. G. Thomas, M. Wheatley Jones.  
(c) Co-opted members.

**Consultative Committee of Members in Commerce and Industry**

J. Ainsworth, C. W. Aston (c), J. Cartner (t), J. Clayton (c), E. Hay Davison, S. Dixon, W. F. Edwards (c), W. W. Fea, R. W. Foad (c), J. W. G. Frith (c), L. C. Hawkins, P. G. James (c), R. O. A. Keel, T. B. Pritchard (c), A. H. Proud (t), L. W. Robson, F. J. Weeks, Sir Richard Yeabsley.  
(c) Co-opted members.  
(t) Nominated by Technical Advisory Committee.

**Courses**

C. J. M. Bennett, F. C. de Paula (c), J. S. Heaton, A. W. Howitt (c), J. H. Mann, B. A. Maynard (c), F. E. Price, L. W. Robson, L. W. Shaw (c), D. Steele, C. C. Taylor (c), E. F. G. Whinney, E. K. Wright.  
(c) Co-opted members.

**Disciplinary**

W. L. Barrows, T. A. Hamilton Baynes, Sir William Carrington, D. A. Clarke, W. W. Fea, Sir Harold Gillett, P. F. Granger, L. C. Hawkins, Sir William Lawson, J. H. Mann, R. P. Matthews, M. Wheatley Jones, E. F. G. Whinney, R. P. Winter, Sir Richard Yeabsley.

**District Societies**

J. H. Bell, G. T. E. Chamberlain, D. A. Clarke, C. Croxton-Smith, G. G. G. Goult, P. F. Granger, R. B. Leech, E. N. Macdonald, R. McNeil, J. H. Mann, F. E. Price, R. G. Slack, D. Steele, A. G. Thomas, J. C. Montgomery Williams, R. P. Winter.

**Education**

T. A. Hamilton Baynes, E. Hay Davison, Professor H. C. Edey (c), J. A. Jackson, R. O. A. Keel, R. P. Matthews, W. B. Nelson, E. V. Roberts (c), A. H. Walton, R. Walton, E. K. Wright.  
(c) Co-opted members.

**Examination**

W. L. Barrows, T. A. Hamilton Baynes, P. F. Carpenter, W. G. Densem, A. S. H. Dicker (c), J. V. Eastwood (c), J. Godfrey, J. S. Heaton, D. V. House (c), Sir Harold Howitt (c), J. A. Jackson, Sir William Lawson, R. McNeil.  
(c) Co-opted members.

**Finance**

J. Ainsworth, G. R. Appleyard, Sir Harold Gillett, L. C. Hawkins, R. P. Matthews, J. D. Russell, A. H. Walton, F. J. Weeks.

**General Purposes**

W. L. Barrows, Sir Henry Benson, P. F. Carpenter, Sir William Carrington, C. Croxton-Smith, S. Dixon, Sir Harold Gillett, P. F. Granger, Sir William Lawson, W. B. Nelson, W. E. Parker, S. J. Pears, Sir Thomas Robson, D. Steele, M. Wheatley Jones, R. P. Winter.

**Investigation**

J. F. Allan, C. Croxton-Smith, J. Godfrey, J. A. Jackson, R. G. Leach, S. J. Pears, L. W. Robson, J. C. Montgomery Williams.

**Library**

J. H. Bell, G. T. E. Chamberlain, G. G. G. Goult, Miss M. A. T. Hodge (c), H. O. Johnson, R. B. Leech, F. E. Price.  
(c) Co-opted member.

**Overseas Relations**

C. J. M. Bennett, Sir William Carrington, R. G. Leach, S. J. Pears, D. W. Robertson (c), Sir Thomas Robson.  
(c) Co-opted member.

**Parliamentary and Law**

G. R. Appleyard, C. J. M. Bennett, Sir Henry Benson, W. W. Fea, S. R. Harding (c), D. C. Hobson (c), R. O. A. Keel, Sir William Lawson, R. G. Leach, E. N. Macdonald, J. W. Margetts (c), G. P. Morgan-Jones (c), W. E. Parker, Sir Thomas Robson, J. E. Talbot (c), D. C. Urry (c), F. J. Weeks, S. P. Wilkins (c).  
(c) Co-opted members.

**P. D. Leake**

W. L. Barrows, P. F. Carpenter, W. B. Nelson, E. F. G. Whinney.

**Public Relations**

C. J. M. Bennett, Sir Eric Clayson (c), J. Godfrey, G. G. G. Goult, H. O. Johnson, G. B. Judd (c), R. Walton, E. F. G. Whinney, J. C. Montgomery Williams, E. K. Wright, Sir Richard Yeabsley.  
(c) Co-opted members.

**Research**

J. F. Allan, J. F. Bateman (c), Sir William Carrington, S. Dixon, Professor H. C. Edey (c), J. D. Green (c), J. S. Heaton, J. D. Russell.  
(c) Co-opted members.

**London and District Society of Chartered Accountants**

The following members have been appointed by the Council to serve on the Committee of the London and District Society of Chartered Accountants for the ensuing year:

G. R. Appleyard, P. F. Carpenter, J. H. Mann.

**Technical Advisory Committee**

The following Council appointees on the Technical Advisory Committee have been appointed for the year 1964-65:

L. H. Clark, D. A. Clarke, S. N. Duncan, W. F. Edwards, N. Cassleton Elliott, R. W. Foad, S. Kitchen, J. Perfect, D. W. Robertson, R. G. Slack, A. H. Walton, J. A. P. Whinney.

**City of London College**

The Council reappointed Mr P. F. Carpenter, F.C.A., as a member of the Governing Body of the City of London College for a further term of three years to March 1967.

**Contracts of Employment Act, 1963**

In a statement to be sent to all members in practice on June 11th, 1964, the Council will set out for guidance the terms of certain paragraphs which members may

include in the statement to be given to articulated clerks in accordance with the provisions of the Contracts of Employment Act, 1963. These paragraphs, which have been settled with legal advice, are designed to introduce references to the articles of clerkship and to the Royal Charters and bye-laws by which the terms of employment are governed.

The Council does not now intend, as previously announced, to produce a complete form of statement suitable to be given to articulated clerks. Neither is any further guidance to be given to members on their obligations towards employees generally under the Act, in view of the considerable differences in circumstances from firm to firm. Attention is drawn to the notes for guidance issued by the Ministry of Labour.

### Registration of Articles

The Secretary reported the registration of 282 articles of clerkship during April, the total number since January 1st, 1964, being 1,036.

### Admissions to Membership

The following were admitted to membership of the Institute:

Coombs, (Miss) Mary Juliet, A.C.A., 1964; Meadow Barn, Priors Field Road, Godalming, Surrey.  
Drower, (Miss) Jean Ray, A.C.A., 1964; 74 St Andrew's Road, Ilford, Essex.  
Maitland, Robert David, A.C.A., 1964; Harrington Hall, Spilsby, Lincs.  
Read, Philip Miles, A.C.A., 1964; Flat 2, 39 Holland Park, London W11.  
Rodgers, Philip Michael, A.C.A., 1964; 57 Edinburgh Drive, Spalding, Lincs.  
Sivalingam, Murugupillai, A.C.A., 1964; No. 3190 Guillemard Road, Kuala Lumpur, Federation of Malaysia.

### Fellowship

The Council acceded to applications from eleven associates to become fellows under clause 6 of the supplemental Royal Charter.

### Incorporated Accountant Member Becoming an Associate

The Council acceded to an application from the following incorporated accountant member for election as associate under clause 6 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter:

Martinez, Peter Joseph, A.S.A.A., 1954; with Price Waterhouse & Co, 3 Frederick's Place, Old Jewry, London EC2.

*a* Indicates the year of admission to the Institute.

*aS* Indicates the year of admission to The Society of Incorporated Accountants.

§ Means 'incorporated accountant member.'

Firms not marked † or \* are composed wholly of chartered accountant members of the Institute.

† Against the name of a firm indicates that the firm, though not wholly composed of members of the Institute, is composed wholly of chartered accountants who are members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

\* Against the name of a firm indicates that the firm is not wholly composed of members of one or another of the three Institutes of chartered accountants in Great Britain and Ireland.

### Members Commencing to Practise

The Council received notice that the following members had commenced to practise:

Agyeman, Albert Kofi, A.C.A., 1959; \*Charles Ocansey & Co, P.O. Box 3596, Kumasi, Ghana, and at Accra.  
Bailey, Peter David, A.C.A., 1954; Martin, Farlow & Co, 27-28 Finsbury Square, London EC2.  
Barker, Nigel Davidson, A.C.A., 1962; Roberts, White & Co, 9 Harley Street, London W1.  
Benson, John Barry, A.C.A., 1959; Baines, Goldston & Jackson, 43 Yarm Lane, Stockton-on-Tees.  
Bentley, Walter, A.C.A., 1962; C. Percy Barrowcliff & Co, 4 Wormald Row, Albion Street, Leeds 2, and at Wakefield.  
Bevan, David, A.C.A., 1960; Spain Brothers, Newman & Co and Stocker, Mann & Co, Sutherland House, 29-37 Brighton Road, Sutton, Surrey.  
Bishop, Dennis John, A.C.A., 1960; Leonard Wilson & Co, 4 Coventry Road, Bedworth, Warwick.  
Bradshaw, Ivor Rennie, A.C.A., 1962; \*Jas. O. Wilkinson, Son & Yates, Central Chambers, 26 Willow Street, Accrington.  
Butterworth, Nicholas, A.C.A., 1960; †Harmood-Banner, Cash, Stone & Mounsey, 24 Ludgate Hill, London EC4.  
Carlin, Hubert Arthur, A.C.A., 1964; Burrows & White, Mortimer House, 1 Castle Road, Nottingham.  
Carter Pegg, Hallam, A.C.A., 1964; Pegg, Robertson & Co, 'Eldon Street House', Eldon Street, London EC2, and at Southend-on-Sea.  
Catt, Benson Franklyn, F.C.A., 1951; Metcalfe Collier, Blake & Co, 199 Piccadilly, London W1, and at Enfield.  
Coe, Michael John, A.C.A., 1958; Foster, Finn-Kelcey & Co, 94 High Street, Hythe, Kent, and at Ashford, Kent.  
Cook, David, A.C.A., 1960; Moore Scott & Co, Crescent Chambers, Llandrindod Wells, Radnorshire, and at Hereford and Llanidloes.  
Corscadden, James Arthur Barrie, A.C.A., 1964; C. Percy Barrowcliff & Co, 6 West Parade, Wakefield, and at Leeds, Middlesbrough and Newcastle upon Tyne.  
Crabbe, Anthony John Travers, B.A., A.C.A., 1964; Allsop & Crabbe, 4 Frederick Road, Edgbaston, Birmingham 15.  
Cutter, Eric, A.C.A., 1958; William Kirkup & Co, 37 Jesmond Road, Newcastle upon Tyne 2.  
Cutting, David Ralph, A.C.A., 1961; 9 Carters Hill Close, Woodcroft, Motttingham, London SE9.  
§Datta, Sachindra, F.S.A.A., 1948; S. Datta & Co, 17/3 Chowringhee Road, Calcutta 13.  
David, Colin Prichard, A.C.A., 1956; Spicer & Pegler, St Mary Axe House, 56-60 St Mary Axe, London EC4.  
Filder, Cyril Herbert, F.C.A., 1953; 'The Gables', Hawthorn Drive, Newton, West Kirby, Cheshire.  
Finn-Kelcey, John Richard Ernest, A.C.A., 1959; Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent, and at Hythe.  
Goswell, Patrick, A.C.A., 1961; Reginald R. Dowson & Co, Lloyds Bank Chambers, Kingsway, Dovercourt, Harwich, Essex.  
Griffiths, Kenneth David, A.C.A., 1964; \*Lewis Vizard & Son, 8 Lansdown Place, Lansdown Road, Cheltenham, Glos.  
Harrison, James, F.C.A., 1938; W. J. Campbell & Co, 49A Whitefriargate, Hull.  
Hindmarch, John Geoffrey, A.C.A., 1964; \*Duncan & Toplis, Barclays Bank Chambers, 55 High Street, Grantham, and at Nottingham.  
Hobley, Denis Harry, F.C.A., 1953; Lithgow, Nelson & Co, 413 Lord Street, Southport, and at Liverpool and London.  
Hodgkinson, Eric, A.C.A., 1959; \*Essex, Abel & Co, 30 Charnwood Road, Shepshed, Loughborough, Leics.  
Hornor, Harry George, A.C.A., 1962; H. P. Gould & Son, Holland Court, The Close Norwich.  
Hunt, Brian David, A.C.A., 1964; Attiwell & Co, 51 Calthorpe Road, Edgbaston, Birmingham 15.

Irwin, Harry Alexander, M.A., A.C.A., 1959; Alexr Hannah & Co, 15 Victoria Street, Liverpool 2.  
 Irwin, Patrick Staples, A.C.A., 1964; Spain Brothers, Jukes & Co, 2 Sussex Chambers, 8-10 Havelock Road, Hastings.  
 Johnson, Arthur Ralph, A.C.A., 1958; †R. Wright & Co, Great Chapel Street Chambers, 9 Great Chapel Street, London W1.  
 Johnson, Ronald George, F.C.A., 1952; †Hogg, Bullimore & Co, City-Gate House, Finsbury Square, London EC2.  
 Jolliffe, Anthony Stuart, A.C.A., 1964; Jolliffe & Co, 12 Broadmead Close, Hatch End, Pinner, Middlesex.  
 Lawrence, Leonard Lancelot, F.C.A., 1952; Clarkson Webb & Co, 11 Southampton Row, London WC1.  
 Loochin, Ivor Bernard, A.C.A., 1959; Newman Ogle, Bevan & Co, Spencer House, 4 South Place, London EC2.  
 Lyall, Victor, F.C.A., 1952; \*A. C. LeFort & Co, 561 Watford Way, Mill Hill, London NW7.  
 McGibbon, Lewis, A.C.A., 1959; 14 Coniston Avenue, Northampton.  
 Margolis, Stanley, A.C.A., 1960; Stanley Margolis & Co, 14 Queen Victoria Street, London EC4, and 25-27 Catherine Place, Westminster, London SW1.  
 Martin, Dennis Victor, A.C.A., 1956; D. V. Martin & Co, St Mary's Bay Holiday Camp, St Mary's Bay, Romney Marsh, Kent.  
 Maskey, Cahen Kenneth, A.C.A., 1959; 1A Redbridge Lane West, Wanstead, London E11.  
 Muir, Iain Robertson, A.C.A., 1954; Moore, Stephens & Co, Bucklersbury House, Bucklersbury, London EC4.  
 Mundy, Nigel Rodney, A.C.A., 1960; Chantrey, Button & Co, Africa House, Kingsway, London WC2.  
 Murton, Derek Brian, A.C.A., 1964; Moore & Murton, 50 High Street, Newmarket.  
 Owen, Deryck, A.C.A., 1955; Foster, Finn-Kelcey & Co, 21 Bank Street, Ashford, Kent, and at Hythe.  
 Penfold, William Samuel, A.C.A., 1957; Penfold & Co, 'Green Pastures', Dry Bank, Tonbridge, Kent.  
 Pollard, Michael, A.C.A., 1961; Sedley, Pollard & Co, 3A Dennis Parade, Winchmore Hill Road, London N14.  
 Purcell, David Leo Patrick, A.C.A., 1961; David Purcell & Co, 108 Fortis Green Road, Muswell Hill, London N10.  
 Rayner, Alan, A.C.A., 1964; 21 Sandringham Gardens, North Finchley, London N12.  
 Rendell, Robert, F.C.A., 1953; †Kemp, Chatteris & Co, Bucklersbury House, Walbrook, London EC4, and at Birmingham, Blackpool, Manchester and Port Louis, Mauritius.  
 Rule, Andrew, A.C.A., 1962; Cook & Co, 87 Lord Street, Liverpool 2, and at Manchester.  
 Saint, Oliver Jackson, A.C.A., 1960; †Peat, Marwick, Mitchell & Co, P.O. Box 50, Alexandra House, Hong Kong.  
 Sanders, George Bernard, A.C.A., 1957; H. Davies & Co, 65 Bath Road, Wolverhampton.  
 Schuldenfrei, Peter, A.C.A., 1964; Sheldon & Co, 139 Wembley Hill Road, Wembley, Middlesex.  
 Spiby, Geoffrey Edward, A.C.A., 1961; J. L. Usher & Co, 76 Manchester Road, Denton, Manchester.  
 Stern, Michael Charles, A.C.A., 1964; \*Percy Phillips & Co, 76 New Cavendish Street, London W1.  
 Stokoe, John Edward, A.C.A., 1960; Thomas Rodger & Co, 13 Portland Terrace, Jesmond, Newcastle upon Tyne, and at Hexham and Seahouses.  
 Tanner, John Darley, F.C.A., 1939; West & Drake and George Copley & Co, 16 Market Place, Reading and at London; also at Bracknell and Newbury, West & Drake.  
 Tew, Colin Charles, A.C.A., 1964; 64 Pinkwell Avenue, Hayes, Middlesex.  
 Thompson, Alfred Charlton, A.C.A., 1960; 736 Tower Building, Water Street, Liverpool 3.  
 Turner, David Daniel, A.C.A., 1962; J. Clark & Co, 631 Green Lanes, Hornsey, London N8.

### Admission to Membership under the Scheme of Integration

The Council acceded to one application for admission to membership of the Institute under clause 5 of the scheme of integration referred to in clause 34 of the supplemental Royal Charter. One application under Clause 5 was refused.

### Re-admission to Membership

Subject to payment of the amount required by the Council, one former member of the Institute was re-admitted to membership under bye-law 38. One application under clause 23 of the supplemental Royal Charter was refused.

### Change of Name

The Secretary reported that the following changes of name have been made in the Institute's records:

Arion, Benjamin to Russell, Benjamin Arion.  
 Birnbaum, Raymond to Birns, Raymond.  
 Ezzat, Antoun Fouad to Zarzour, Antoine Ezzat Fouad.

### Admission void

The Secretary reported that the admission to membership of the following person had become void under bye-law 40:

Khan, Muhammad Aslam, c/o K. Rahman Beverages Ltd, P.O. Box No. 63, Baizid Bostami Road, Chittagong, East Pakistan.

### Resignations

The Council accepted the resignations from membership of the Institute of:

Gregson, Richard, F.S.A.A., 1927; Borough Treasurer, Chorley Corporation, Town Hall, Chorley, Lancs.  
 Hughes, Charles Alban, F.S.A.A., 1921; 203 Loughborough Road, Ruddington, Nottingham.

### Deaths of Members

The Council received with regret the Secretary's report of the deaths of the following members:

Mr John Sinnott Black, F.C.A., London.  
 Sir William Cash, M.A., F.C.A., London.  
 Mr Harold Leyman Collinson, F.C.A., Hornsea, Yorks.  
 „ John Mackenzie Cossar, T.D., M.A., LL.B., F.C.A., Emsworth, Hants.  
 „ Archibald John Murray Cox, O.B.E., F.C.A., Limsfield.  
 „ Noel Johnstone Dodd, F.C.A., London.  
 „ Norman Gledhill, F.C.A., Winchester.  
 „ Bertram Haller, F.S.A.A., Nairobi.  
 „ Arthur Hornby, F.C.A., London.  
 „ William Martin Hume, F.C.A., Barnet.  
 „ Gordon William Ideson, F.C.A., West Kirby.  
 „ Thomas Jackson, F.C.A., Edinburgh.  
 „ George Ellerton McCanlis, F.C.A., London.  
 „ James Henry Robert Francis Marrian, F.C.A., Epsom.  
 „ Arthur Roberts Mason, F.C.A., Birmingham.  
 „ John Bernard Pittman, F.C.A., London.  
 „ Benjamin Potts, F.C.A., Orpington.  
 „ Norman Arthur Sharpe, F.C.A., Reading.  
 „ Reginald Frederick Silvester, F.C.A., London.  
 „ Arthur John Simons, F.C.A., Birmingham.  
 „ Gerald Frederick Todd, M.B.E., F.C.A., Exmouth.  
 „ James Duncan Webster, F.C.A., Isleworth.  
 „ Noel Wilkinson, M.A., F.C.A., Windsor Forest.  
 „ William Marsden Wood, F.C.A., Cape Town.



## Thirty-fifth National Cost Accounting Conference

THE Institute of Cost and Works Accountants held its thirty-fifth National Cost Accounting Conference at the Grand Central Hotel, Belfast, on Thursday, Friday and Saturday of last week. There was an attendance of well over two hundred members from all parts of the United Kingdom and overseas.

We reproduce below extracts from the address of the President, Mr C. Eric Power, F.C.A., F.C.W.A., together with summaries of the two technical papers presented. In addition to the latter papers, an address on 'The British shipbuilding industry, with particular reference to Belfast shipyards' was given by Dr Denis Rebbeck, D.L., J.P., managing director of Harland & Wolff Ltd.

### PRESIDENTIAL ADDRESS

In the course of his presidential address, Mr C. Eric Power said: Each succeeding year the President is given



Mr C. Eric Power

the exacting task of expressing his thoughts upon events and trends encountered during his year of office, and making his prognostications of future tendencies which are the concern not only of the accountancy profession and the members of the Institute but are relevant to the general economic well-being of our business community.

The occasion is one of solemn importance which to the President must surely rank second

only to the ceremony when he is accorded the ultimate honour which the Institute can bestow of being invested with the Badge of Office and gives what has become the traditional undertaking of service.

Besides what may be called the domestic responsibilities of his office the President has many duties in representing the Institute externally. I shall have a lasting memory of most friendly and helpful associations with fellow presidents of the kindred accountancy bodies, and contacts with representatives of numerous professional institutes and many people prominent in business and public life. . .

These external relations are but one of the valuable ways by which the Institute can seek to achieve its objective in emphasizing the services which our members are qualified to give to industry and in public administration.

### The Profession in Europe

The movement to bring together the accountancy professions of the Western European nations began in

1951 with the founding of the Union Européenne des Experts Comptables, Economiques et Financiers (U.E.C.).

Its unifying aim of achieving progress towards a common understanding of the function and techniques of accountancy, and the endeavour to ensure that all accountants come to speak the same technical language are indeed worthy objectives. Recently the bodies in the British Isles most closely connected with the practising side of the profession have become associated with the U.E.C. My clear impression is that both constitutionally and in technical interest the major activity of U.E.C. is, at present, centred around the accountant in practice. Nevertheless, the interest now being shown in management accountancy is evidence of the broadening of its horizon.

The full advantage to the profession in Europe, in its widest responsibilities, is unlikely to be forthcoming from corporate consultation, exchanges of experience and from research studies, without the co-operation of accountancy bodies, such as our own Institute, which are primarily concerned with, and whose members have a wealth of practical experience to offer in, industrial accounting.

Our Institute has the standing and is in a unique position to make a telling contribution to the advancement of the techniques of cost and management accountancy for the benefit of management in Europe, either in co-operation with U.E.C. or with any other bodies of accountants in Europe concerned with industry. We must have wide vision in meeting the opportunities for free interchange as they present themselves. The day may not be too far distant when, for instance, considerable use will be made of comparisons of management information between British and Continental industry for their mutual economic advantage.

### The Industrial Climate

During the past year, we have seen the national economy move with increasing momentum from a restrictive and stagnant phase towards a period of much greater confidence and expansion. The growth of confidence has quickly reactivated consumer demand so that the reserve in the economy created by previous sub-normal industrial activity has largely been overtaken. On the other hand, the all too familiar pressures on our resources of labour and technical skill, on wages, and on our balance of payments have once again combined to prejudice continued expansion and future prosperity.

The significance of the labours of N.E.D.C. in prescribing a 4 per cent optimum target for annual economic growth can now be appreciated in practice and not just as a statistical exercise. Recent Government action to contain expansion within this target demonstrates that a modicum of restraint can be effected, if exercised at the right time, without loss of confidence in the economy or without the disturbing uncertainties

formerly preceding the disclosure of the annual budget provisions.

In practice, it is easier to achieve a planned rate of economic growth when normal production resources have not been fully utilised than to maintain it under the conditions of full employment which we are now reaching. Our performance so far may be gratifying enough, but in industry and in the business community generally it has yet to be proved that our most scarce national assets, labour and skill, can be used to the degree of efficiency which will be called for in the future if uninterrupted expansion is to be maintained.

Inevitably, as the demand for labour and for technical and scientific skill outstrips availability, the achievement of higher levels of production will depend almost wholly on constantly increasing productivity. Both Government and industry, in their respective ways, have a heavy responsibility in pursuing this objective.

The very steps now being taken to meet the unsatisfied demand for scientific and technical skill and inventiveness, by the expansion of full time facilities for higher education and the enlargement of part-time technical training, will accentuate labour shortages for years to come. It is a natural outcome in a free economy for existing labour resources and brain power to be encouraged to move around for higher wages. This may be generally advantageous if it also leads to better utilization, but in the shorter term it may merely be transferring the shortages, and thereby increasing pressure on general wage levels. It is no solution to the national problem.

We are in an age when social aspirations towards higher living standards and the security of personal incomes have become such dominating factors that it must be obvious that these benefits will have to be increasingly subsidized in manufacturing and commercial costs. Industrial peace will largely depend upon industry's willingness to accept this responsibility, and there are many far-seeing managements who already recognize this only too well.

The crucial problem is to achieve steady progress within our capacity to contain inflationary influences, and the country cannot reach this objective by rigid adherence to out-of-date ideas or through fear of the consequences of change. There is no place in the future economy for entrenched positions and restrictive thinking, and fine words on the subject of our future prosperity can be translated into achievement only if there is determination and confidence on all sides to recognize that both national and individual prosperity are dependent on corporate thinking in terms of a realistic combination of the hard facts of national and industrial economics and a sensible modern philosophy towards human aspirations and environment. In such an atmosphere, the National Incomes Commission – its reception so far marred by traditional interests and political nuances – could well make the contribution originally envisaged for it.

### Return on Capital Employed

Expansion of production facilities, and re-equipment to attain higher productivity, are now highly expensive operations and can well be beyond the normal financial resources of many undertakings. They are essential, however, if the drive for increased production at economic cost levels is to maintain impetus. Of late, capital employed has too often shown reduced profit

returns, though some improvement is now noticeable. When new expenditure is being considered it is vital that comprehensive investigation is made to ensure that the capital to be employed will earn an economic return under conditions of competitive selling prices. Existing assets must be seen to be making a profitable contribution, directly or indirectly, to justify their retention.

Investigations of this nature naturally bring under critical review all costs in an undertaking which should, in any case, be a fundamental exercise of good management. To take decisions upon capital expenditure without regard to improvements which are possible in the overhead and organizational costs of the undertaking can so easily lead to an unprofitable decision.

### Costs More Fixed

As manufacturing processes become more automated and social progress is reflected in industrial costs, these costs become increasingly fixed in nature. It may well be the eventual situation that in much of industry little more than the cost of material will remain as a cost directly associated with the manufacture of a specific product.

Optimum efficiency in the utilization of production facilities will be the corner-stone of higher productivity and lower costs.

Whereas much effort has been expended in reducing direct labour costs and in measuring labour performances, the measurement of the contribution to efficiency made by overhead costs has received inadequate attention. We are, however, rapidly seeing that, with the growing complexity of present-day industry, really profitable action depends to an ever greater extent upon all the background factors being taken into account. The techniques which have now been considerably developed to examine a problem in the light of all the influences which may have a bearing throughout an undertaking – such as operational research techniques and other statistical approaches, as well as O. & M. – must become increasingly valuable to management in reducing costs by means of better organizational structures and the optimum functioning of all services in the undertaking.

### Government Expenditure

If it is accepted that economic expansion is dependent upon the most efficient use of our resources, nothing would be more reassuring to the community than the certain knowledge that national expenditure is controlled by the Government of the day with the same degree of urgency and good management which industry is exhorted to apply. For a considerable portion of the national expenditure the Government acts as financier to other public bodies, but the expenditure by its own supply departments is nevertheless huge. In recent months the announcement of policies which will involve colossal expenditure stretching over the next decade or so accentuates the need to make sure not only that forward plans are realistic but that good value for money is obtained in a competitive atmosphere.

Without wishing to enter recent well publicized controversies upon this subject, I am certain that government departments must employ sufficient adequately trained staff with the specialist qualifications and experience for their tasks, and should provide



the conditions which will permit the recruitment of men from industry and commerce who are competent to supply the necessary expertise to ensure that co-operation and control is effective throughout. These are problems in our field, and it may not be inappropriate to stress that the Institute and its members are available with expert advice and assistance.

It is certainly no service to the community if wasteful national expenditure is allowed to absorb industrial capacity which otherwise might be helping to expand the economy.

### Specialist Information

The whole environment is one of industrial management having to make decisions on plans – business, production and financial – which stretch increasingly into the future. At the same time effective control of operations is a prerequisite of the realization of future plans. The dominating factor is the constant maintenance of competitive costs.

Industrial management has at its disposal various scientifically developed techniques to assist in reaching considered decisions and it is encouraging that with the development of management training the full scope of cost and management accountancy is more widely appreciated.

The demand for the services of members of our Institute, by industry and public undertakings, is considerably in excess of their availability and, in my view, this situation could become a greater problem as the complexities of management require even more reliance upon effective specialist information.

### Management Accountancy Standards

Throughout its life, the Institute has endeavoured to ensure that its standards of professional service advance in line with the fullest requirements of industrial management. To this end we have pursued a forward-thinking policy on the development of cost and management accountancy. This week, the first examinations on the revised syllabus, announced two years ago, have just concluded, and this can be seen as a further landmark in the Institute's efforts to uphold members' technical knowledge.

The recent announcement of the projected Joint Diploma in Management Accounting Services was a public manifestation by the accountancy profession of a common purpose to define the highest standards of qualification in management accountancy, and an indication of the high place which it will have throughout the profession in the future.

Our Institute has taken a significant part in the joint deliberations and it would not be presumptuous to claim that our expertise over the whole field of management accountancy, which was in evidence even before the introduction, some eleven years ago, of the Institute's own Fellowship Examination in Management Accountancy, has been, and will continue to be of high practical value in the efforts to establish the Joint Diploma qualification permanently.

Whatever the outcome of this formative stage of the Joint Diploma, however, there can be no doubt that the student who passes the examinations of this Institute will have achieved a substantial knowledge of management accountancy techniques which he will be able to use with ever-growing experience.

### Members' Responsibilities

The almost breath-taking scientific developments now taking place and their future possibilities for industry in materials, in methods of production and in revolutionizing, by means of computers, methods of control and the ascertainment of management information, present the accountant with a challenge of great magnitude. If he is to display his abilities in the future he can have no more compelling aim than to keep abreast of these developments and adapt himself to making maximum use of the opportunities they present.

Flexibility of thought has always been an essential attribute of the cost accountant and nothing will be more important in the future than that our members should carry out their responsibilities to industry in matters of information and interpretation with uninhibited thinking. It will be even more essential that situations with which they have to deal are judged solely on the relevant facts and not in the light of past conventions.

Industry in the future will thrive only through the combined efforts of teams of skilled managers and specialists, and to that team the cost and management accountant is essential. The Institute will spare no effort, through its examination and education policy, and its requirements of practical experience, to make it possible for every member, present and to come, to make a fully effective contribution to the work of the team.

### MANAGEMENT ACCOUNTING AND MODERN DECISION TECHNIQUES

The Presidential address was followed by a paper on 'Management accounting and modern decision techniques', read by Mr P. J. W. Ambler, M.A., A.C.W.A., with Mr J. P. Wilson, F.C.W.A., in the chair. Modern decision techniques have been developed in recent years, following the war-time use of operational research, and their object, as Mr Ambler put it, is to take some of the guesswork out of a few of the areas of business decision. Mr Ambler sought to refute the view recently expressed by *The Economist* that the accountant's training is less important in relation to that of the newer specialisms and that it is becoming less necessary for the executive to have an accounting training. In his view, it is essential that the accountant's practical and professional training within industry should be supplemented by the study and use of all the new techniques of which operational research is only one of the more important.

The subject of operational research is primarily mathematical in character. The main techniques used in the solution of business problems by such methods are the calculus, probability theory, and matrix algebra. Mr Ambler pointed out that the average accountant might well be forgiven if, when perusing an operational research journal, he came to the conclusion that O.R. workers spent their time in the ivory tower of higher mathematics, solving problems that had scant relevance to those arising in the market place. Nor, as others have pointed out, does the accountant appear frequently in the O.R. team, which tends to comprise in the main mathematicians, physicists, statisticians, and the occasional economist. Nevertheless, it was Mr Ambler's opinion that the acquisition by the management accountant of some of the O.R. techniques was feasible. It was, of course, important to avoid a situation in which O.R.

techniques were applied blindly without a full understanding of the principles involved. The speaker stressed that the value of any tool is not that it is universally applicable, but that it has a general use within a number of clearly defined circumstances. In these conditions it was his opinion that while the fullest understanding of operational research could only come with the ability to derive the appropriate formulae, an adequate understanding could be gained merely by applying a formula. This, he felt, was well within the compass of management accountants.

The second part of Mr Ambler's paper explained the principle of the mathematical model and its application. The object of a mathematical model is to represent the structure of a real system in quantitative terms, and to simulate the manner in which the real world functions. From the model and the simulation techniques Mr Ambler went on to refer to PERT (Programme Evaluation and Review Technique). He argued that because PERT is not essentially mathematical in character, a knowledge of the basic theory thereof is widespread. According to Mr Ambler, 'it is only a subtle two-dimensional version of the old Gantt chart'. For all its simplicity, it was Mr Ambler's opinion that the technique was viewed with some suspicion and was not as widely used as might be expected.

Mr Ambler concluded his paper with the statement that insufficient research is being done in applying O.R. techniques to accountancy matters. In his opinion there was an absence of new ideas and fundamental research in the accounting field. Management accounting, in his opinion, was not merely a matter of the ascertainment of the relevant figures. Even more important is the mode of communication to management. A good deal of present-day accounting terminology, in his view, is 'simply unclear', and for this reason semantics seemed to him a proper topic for the management accountant to study.

Finally, Mr Ambler pointed out that where these new techniques had not been adopted, the reason may be not that executive management is conservative, but simply that those putting forward the case for adopting the new techniques have not put their case across with sufficient verve.

### MANAGEMENT ACCOUNTING AND EXPORTS

In a paper on 'Management accounting and exports', given at Friday afternoon's business session at which Mr H. Hodgson, F.C.A., F.C.W.A., presided, Mr E. E. Rushton, F.C.W.A., drew attention to the role which management accounting could play in assisting the export drive. In his opinion, the first service that management accounting can give to exporting and thereby to the national economy is in those concerns 'whose export activity is at a low ebb because it is thought not to pay, not to be worth the bother'.

The fundamental defect of this outlook stems from the fact that firms are ignorant of the additional contribution that exporting can make to revenue and thereby in maximizing profits. This view is based on the failure to recognize that 'cost is a constantly changing thing, a dynamic conception', and that the most potent factor affecting costs and profits is the volume of output. Only with a rising volume of sales is it possible for a firm to achieve a high degree of capital utilization, whereby

lower unit costs and selling prices are made possible and these are in turn accompanied by higher net earnings. This was the lesson which Mr Lawrence W. Robson, F.C.A., F.C.W.A., impressed upon his audience last November at the National Productivity Year Conference at Eastbourne. This same lesson, asserted Mr Rushton, had to be driven home upon the management of individual firms by management accountants.

In view of the fact that so few British industrialists export on any considerable scale, Mr Rushton went on to explain that it was up to the management accountant to demonstrate to management the additional revenue which could accrue from a rising volume of output generated by export trade. In support of his argument he cited statistics which revealed that during the period 1959-62 nearly two-thirds of a sample of British firms had been working below capacity. The contrast with the experience of German industry, which utilized its capital equipment more effectively, was stressed and Mr Rushton suggested that this might be one of the reasons why the Germans had displaced the British since 1956 as the largest exporter of engineering goods in the world. The lesson that marginal business meant extra profits still had to be learned, and in this context marginal business meant exports. To this end it might be necessary to reorganize the capacity available to facilitate its maximum utilization; in some cases shift working, possible double-day-shift working, might be the answer.

Turning to the widely held view that exporting was a costly business, Mr Rushton agreed that it was more expensive to sell overseas than at home. He stressed, however, that the management accountant could play a vital role in analysing costs and expenditure incurred. For example, many exporters used overseas agents, but how many of them were able to distinguish whether he was no more than a mere listening post and post box, or was truly active in promoting the firm's goods. It was for the management accountant to let in the 'ruthless light of pure economic reason' on such matters.

An especially interesting part of Mr Rushton's paper dealt with the accountancy of credit selling on extended terms and, in particular, with the need to ensure that revenue and expenditure are brought into the period to which they relate so that the true profit and loss of any transaction could be correctly judged. How many firms, he asked, have evaluated with any precision the cost of maintaining servicing establishments overseas, or the relative merits of setting up local production units instead of selling 'know-how'? At every stage in the increasingly complex field of international trade, management was in need of enlightened management accounting advice; enlightened in the sense 'of a versatile breed of accountant whose vision and knowledge overleaps international boundaries'.

### ANNUAL GENERAL MEETING

The forty-fifth annual general meeting of the Institute was held on Saturday morning when, as noted elsewhere in this issue, Mr John Pearson Wilson, F.C.W.A., F.C.I.S., was elected President for the ensuing year. Mr Harry Hodgson, F.C.A., F.C.W.A., was re-elected a Vice-President and Mr William Liddell Spalding, B.Sc.(ECON.), C.A., F.C.W.A., F.C.I.S., was also elected a Vice-President.

## English Institute's First E.D.P. Courses for Members

Following a pilot course at Hastings in January of this year, reported in our issue of February 8th, The Institute of Chartered Accountants in England and Wales organized a series of three courses on electronic data processing for its members at Brighton between May 21st and 28th.

It is a pleasure to record that the courses appear to have been a resounding success. In the first place, the Institute's initiative commanded a strong response from its members. Over three hundred applications were received for this series of courses where the combined attendance was limited to one hundred and eight. In addition, more than eight hundred members indicated their wish to attend future courses. As a result, the Institute intend to run three further series of three E.D.P. courses in the near future at Harrogate, Bournemouth and in the London area.

Approximately 60 per cent of those attending the recent courses were in, or employed in, public practice; the remainder were in commerce, industry and education. Fifty per cent gave their business address as London and eleven were from overseas. Ages largely ranged between 20 and 50. Registration for each of the courses opened after tea on May 21st and the first course began after dinner that evening with an opening address by the Co-ordinating Director, Mr D. W. Hooper, M.A., F.C.A., in charge of all three courses.

### Time-table

The real work began at 9 a.m. next morning and continued for four and a half days, ending at 6.15 on two evenings, but continuing for a further session after dinner on the other two. The final day closed at 12.30. Thus in a period which involved most members in not more than six days away from their offices, two of which were not working days, there were some thirty-three hours of instruction.

In addition to lectures on the six subjects described below, a number of films on computers were shown and ten hours were spent by course members working in small syndicates on two case studies on the application and audit of computers.

Not unnaturally those attending found the going demanding and admitted to being lost at one or two points, but they were all enthusiastic and felt that the course had been most helpful for any member without any previous knowledge of the subject, whether he was engaged in practice or in other employment. Each member was asked to complete a confidential assessment of each session and of the course as a whole. We understand that the summaries of these assessments show that the members attending this first series approved of the content, balance and presentation of the courses.

### Summary of Syllabus

An indication of the ground covered by the course is given below:

#### *What a computer system is*

General introduction to what computers are, how they

work, ways of describing what they do (i.e. flow charts; block diagrams; programmes) and some of the problems arising out of the use of a computer.

#### *How a computer is used*

Historical background to the use of computers in business; book-keeping seen as a data-processing problem; integrated data processing; computer decision-making; use of the computer in management planning and control; use of quantitative techniques other than accounting techniques in modern business with examples of their practical applications, and some problems and benefits arising from the use of computers.

#### *What computer programming is*

What a programme is; what instructions are; an example of a simple programme; programme writing in theory and in practice.

#### *How a computer system should be controlled*

Control, covering: acquisition; pre-installation work; organization of an operational computer department; data inside and outside computer department; files; systems and programmes; the computer; computer controls and programme controls.

#### *Considerations of external audit*

Purpose of audit; audit and internal control; auditing and E.D.P., inside and outside the computer department; auditing round the machine and through the machine; control of data, files, system and programmes, processing and output; applying audit tests to a computer system; using a computer in auditing; duties of the auditor in relation to weaknesses of control in a computer system; duties of the auditor prior to and during installation of a computer system.

#### *The computer and the accountant and auditor of the future*

Trends in the number of computers installed and the use to which they are put; probable developments in computers; probable developments of business applications; future impact on the accountant, the auditor and the profession as a whole.

### Course Dinner

The course dinner attended by members, lecturers, syndicate advisors and directors of all three courses was held on Monday evening, May 25th. Mr J. H. Mann, M.B.E., M.A., F.C.A., Vice-Chairman, Summer Course Committee, was in the chair and those present included Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., then President of the Institute, Mr J. S. Fulton, Vice-Chancellor of the University of Sussex; Mr A. W. John, O.B.E., F.C.A., Finance Member, the National Coal Board; Mr R. T. Bridger, Chairman of the Education Committee, British Computer Society; and Mr C. R. P. Goodwin, F.C.A., President of the South

Eastern Society, together with representatives of the Parliamentary and Law Committee, the Technical Advisory Committee, the E.D.P. Sub-committee, and members of the Institute secretariat.

In proposing the toast of the guests, coupling with it all those who had been concerned with the course, the President was making the last speech of his year of office. He opened by welcoming the presence of two ladies and the eleven members from overseas. He outlined how the proposal to hold such courses originated from the City Discussion Group of the London and District Society in 1962. This led to the formation of an E.D.P. sub-committee of the Technical Advisory (then the T. and R.) Committee which submitted proposals for residential courses in E.D.P. preceded by a proving course, which were approved by Council in June 1963. Mr Winter continued:

'At my request Mr John, Finance Member of the National Coal Board, released Mr Dudley Hooper to act as director of studies and allowed us to use one of their block bookings at the Alexandra Hotel at Hastings for the proving course. All those who are taking part as directing staff, lecturers, etc. on these courses also helped with the pilot course at Hastings.

'You will have seen from the course booklets how freely help has been given to the Institute and to how many members, firms and companies the Institute owes a debt of gratitude.

'I feel I must express a particular vote of thanks to Mr Hooper for the very great contribution he has made, and to Mr John who has made it possible for him to do so. Due to pressure of his own work, Mr Hooper won't be able to act as co-ordinating director for the next series of courses; we are naturally sorry, but most grateful for all he has done.

'Now to the future. There has been a most gratifying response to the present series of courses, which I hope you are finding both stimulating and helpful. We received more than three hundred firm applications for these courses and more than eight hundred inquiries for future courses; the Council is therefore considering three series of three courses, similar to the present series, to be held next winter at Harrogate, Bournemouth and probably in the London area.

'In considering the future, one must particularly welcome

the presence of a University Vice-Chancellor and the Chairman of the Education Committee of another professional body, the British Computer Society.

'One must hope for much closer working between the profession and the higher educational bodies particularly the universities and the business schools. One must also hope for closer working with other professional bodies, such as the British Computer Society, on matters of common interest and with the computer manufacturers.'

Mr J. S. Fulton, Vice-Chancellor of the University of Sussex, replying on behalf of the guests, agreed there was a need to eliminate the apparent mutual distrust between the universities, commerce and industry. He felt this was being overcome, particularly at the newer universities. He did not yet envisage accounting becoming a main degree subject at undergraduate level, although he could see that there was a need to teach accounting as well as statistics and economics.

Mr D. W. Hooper, Co-ordinating Director of the three courses, said he felt like a headmaster making a half-term report to the Board of Governors. He could say that, so far, work had been as successful as could be expected, discipline was reasonable and that tuckshop takings were dramatically up with 'pop' consumption running at 500 pints a night. (*Laughter.*)

### The Institute and Post-qualification Training

These courses make the second major innovation by the Institute in 1964. It is significant that the first was also concerned with the training of already qualified members, i.e. the announcement of the 'Certificate in Management Information' and the 'Joint Diploma in Management Accounting Services'. The reorganization of the Summer Course Committee of the Council as a Courses Committee suggests that more may follow.

It is to be hoped that the Institute, encouraged by the response to and success of the recent E.D.P. courses, will press forward with the development of similar courses on management accounting, statistics and operational research and other subjects as rapidly as possible.



Some Conference personalities. Right to left: Mr J. H. Mann, M.B.E., M.A., F.C.A., Vice-Chairman, Summer Course Committee; Mr R. P. Winter, C.B.E., M.C., T.D., D.L., F.C.A., then President of the Institute; Mr C. C. Taylor, J.P., F.C.A., Chairman of the E.D.P. Sub-committee; Mr M. Bridger, Chairman of the Education Committee, British Computer Society; Mr F. Clive de Paula, T.D., F.C.A., member of the E.D.P. Sub-committee.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

### Special Meeting

A special meeting of members of the Institute is to be held at 2.30 p.m. on Wednesday, July 1st, at the Hall of the Chartered Insurance Institute, 20 Aldermanbury, London EC2. The purpose of the meeting is to consider, and if thought fit, to confirm resolutions which were passed by a show of hands at the special meeting of the Institute held on May 6th. The main purpose of these resolutions is to amend the supplemental Royal Charter and bye-laws to enable the Institute:

- (1) to implement the Council's intentions relating to schemes for a Certificate in Management Information and for a Joint Diploma in Management Accounting Services;
- (2) to introduce a system of proxy voting in place of the present postal ballot procedure and to increase, in accordance with the current requirements of the Privy Council, the minimum period of notice for convening meetings of the Institute.

## CONTRACTS OF EMPLOYMENT ACT, 1963

### Institute Notice regarding Articled Clerks

As noted in the proceedings of the Council reported elsewhere in this issue, the Council of The Institute of Chartered Accountants in England and Wales has sent a notice to all practising members relating to the position of articled clerks under the Contracts of Employment Act, 1963. The notice is in the following terms:

The Council has decided that, the obligations of employers under the Contracts of Employment Act, 1963, having been the subject of Notes for Guidance issued by the Ministry of Labour, specific guidance to members is called for only in the case of articled clerks, who are clearly employees within the terms of the Act.

The Council has, with legal advice, settled the terms of certain paragraphs which members may include in the prescribed statement to introduce references to the articles of clerkship and the Royal Charter and bye-laws by which the terms of employment are governed. The text of the suggested paragraphs is given below.

*Text of the paragraphs suggested for inclusion in statements given to articled clerks.*

#### General

- (1) Your employment is subject to the terms of your articles of clerkship, as registered at the Institute of Chartered Accountants in England and Wales under number \_\_\_\_\_, a copy of which you have been given for reference.
- (2) Your articles of clerkship are expressly subject to the provisions of the Royal Charters and bye-laws of the

Institute for the time being in force, an up-to-date copy of which may be examined on request to me.

#### Period and Expiration of Contract

- (3) Your contract of service is for the fixed term expiring on \_\_\_\_\_ specified in your articles subject to the provisions as to prior termination therein specified or referred to. If your articles are so terminated, the provisions therein as to notice shall apply unless the Contracts of Employment Act, 1963, requires the giving of a longer period of notice.

The paragraph of the statement referring to normal hours of work and overtime should include a reference to the articulated clerk's entitlement to study and other leave as defined in the articles.

### Old Intermediate Examination

The old Intermediate examination will be held for the last time in May 1965. In view of the small number of candidates expected, the last two sittings of this examination in *November 1964* and *May 1965* will be held in London and Manchester only.

Entry forms for the old Intermediate examination, which are available only at the Institute, will be accompanied by a notice to this effect.

## PROFESSIONAL NOTICES

MESSRS COHEN, ARNOLD & Co, Chartered Accountants, of Mitre House, 177 Regent Street, London W1, announce that as from June 1st, 1964, Mr I. H. FRANKLIN, A.C.A., who has been associated with the firm for some time, has been admitted into partnership. The style of the firm remains unchanged.

MESSRS DELOITTE, PLENDER, GRIFFITHS & Co and Messrs ROBSON, MORROW & Co, India, announce the formation of a joint firm under the name of DELOITTE, PLENDER, ROBSON, MORROW & Co with offices at P-378, Nalini Ranjan Avenue, New Alipore, Calcutta-53 and 12 Fairfield Road, Bangalore-1. The partners in the joint firm are Mr DAVID D. RAE SMITH (Deloitte, Plender, Griffiths & Co) and Mr JOHN H. BLACK and Mr JOHN A. PATERSON (Robson, Morrow & Co).

MESSRS GOODLAND BULL & Co, Chartered Accountants, of Bridgwater House, Corporation Street, Taunton and 21 Bampton Street, Tiverton, announce that they have admitted to partnership from June 1st, 1964, Mr GEORGE HENRY PETER OAKES, F.C.A. The style of the firm remains unchanged.

MR L. JOSEPH MOORE, F.C.A., of 50 High Street, Newmarket, Suffolk, announces that he has admitted into partnership Mr D. B. MURTON, A.C.A., with effect from April 1st, 1964. They will practise under the style of MOORE & MURTON.

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### REVALUATION OF ASSETS

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MESSRS J. P. SHAW & Co, Certified Accountants, of Grand Buildings, Trafalgar Square, London WC2, announce that Miss B. L. WALKER, A.A.C.C.A., and Mr J. R. PARKHOUSE, A.A.C.C.A., both of whom have been associated with the practice for a number of years, have now joined the firm as partners. The name of the firm remains unchanged.

Mr P. C. T. SIN, A.A.C.C.A., announces that since May 1st, 1964, he is practising as PATRICK SIN & Co, Certified Accountants, at B9 Repulse Bay Towers, Repulse Bay, Hong Kong.

MESSRS A. P. SMITH & Co, and Messrs JOSHUA JONES & Co, both of 20 Princess Street, Manchester 1, and Messrs J. R. ATKINS & Co, of 12 St Ann's Square, Manchester 2, and 2 Hibel Road, Macclesfield, announce that as from June 1st, 1964, an amalgamation took place between the three firms. The title of the new firm is A. P. SMITH ATKINS & Co, and the partners are Mr F. J. CONNOR, F.C.A., Mr J. N. O'CONNOR, F.C.A., Mr A. WOOD, M.B.E., F.C.A., and Mr J. R. WOOD, F.C.A.

MESSRS TEMS & Co and Messrs WEBSTER, LICKISS & Co, Chartered Accountants, announce that as from June 1st, 1964, the two firms are working in association and are carrying on their practices from 31 Richmond Hill, Bournemouth. The joint partners are Mr JAMES S. TEMS, F.C.A., Mr MICHAEL G. LICKISS, B.Sc.(ECON.), A.C.A., and Mr HAROLD J. SMITH, A.C.A.

#### NEW CHAIRMAN FOR MIDLAND BANK

Sir Archibald Forbes, G.B.E., C.A., is to be Chairman of Midland Bank Ltd and Midland Bank Executor and Trustee Co Ltd as from July 1st, following the retirement of Viscount Monckton of Brechley.

Sir Archibald Forbes, who was born in 1903 at Johnstone, Renfrewshire, was educated at Paisley and at Glasgow University. He was admitted to membership of The Institute of Chartered Accountants of Scotland in 1927, subsequently becoming a member of Thomson McLintock & Co, Chartered Accountants. He was knighted in 1943 and received the G.B.E. in 1957.

Sir Archibald joined Spillers Ltd as executive director in 1935 and is now deputy chairman of the company. He is also deputy chairman of Finance Corporation for Industry and chairman of Central Mining & Investment Corporation Ltd. He was chairman of the First Iron and Steel Board from its formation in 1946 to its dissolution in 1949 and was chairman for six years of the Iron and Steel Board from its inception under the Iron and Steel Act of 1953. From 1951 to 1953 he was President of the Federation of British Industries.

Sir Archibald has been a director of the Midland Bank and of the Midland Bank Executor and Trustee Co since June 1959 and was elected a deputy chairman of both in March 1962.

#### ENGINEERING INDUSTRY TRAINING BOARD

##### Chartered Accountant Appointed Member

Mr L. G. T. Farmer, F.C.A., chairman of the Rover Co Ltd, has been appointed by the Minister of Labour as a member (representing employers) of the Engineering Industry Training Board. The Board is one of four industrial training boards which the Ministry of Labour is setting up under the Industrial Training Act.

#### LEICESTERSHIRE AND NORTHAMPTONSHIRE SOCIETY OF CHARTERED ACCOUNTANTS

Mr W. E. Willis, D.F.C., B.A., J.P., F.C.A., a partner in the firm of Wykes & Co, Chartered Accountants, of Leicester, was elected President of The Leicestershire and Northamptonshire Society of Chartered Accountants for 1964-65 at the Society's annual general meeting held in Leicester last month.



Educated at Oundle School and Christ's College, Cambridge, Mr Willis was articled to his uncle, the late Mr P. Doughty of Messrs Cooper-Parry, Hall, Doughty & Co, Chartered Accountants, Derby. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1938 and joined his present firm in 1946, subsequently becoming a partner in 1950.

Mr Willis has been a member of the committee of The Leicestershire and Northamptonshire Society since 1951 in his capacity as honorary librarian, and has served as Vice-President since 1962. He was President of the Students' Society in 1959 and 1960.

During the Second World War, Mr Willis served in the Royal Air Force as a pilot in Bomber Command, and was awarded the D.F.C. Outside his professional activities, he served for a number of years on the Council of Leicester Round Table and since 1960 he has been a Justice of the Peace for the City of Leicester.

Other officers elected for 1964-65 are:

*Vice-Presidents:* Mr G. Thompson, F.C.A., and Mr H. Rivington, F.C.A.

*Librarian:* W. E. Willis, D.F.C., B.A., J.P., F.C.A.

*Secretary and Treasurer:* Mr J. H. Golcher, F.C.A., 32 De Montfort Street, Leicester.

*Assistant Secretary:* Mr D. T. Dutton, F.C.A.

#### Annual Report

The annual report of the committee for the year 1963 shows that membership of the Society at December 31st was 503. As a result of the introduction by the

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Institute on January 1st last, of the new arrangement whereby members may join a district society without payment of a separate subscription, membership of the Society had increased by a further 127 during the first three months of 1964.

Three luncheon meetings were held in Leicester and informal discussions on matters of general professional interest were held in Northampton, Kettering and Wellingborough. The Society held five career conventions during the winter at schools in Leicestershire and Northamptonshire, all of which were attended by a representative of the Society. Following the proposal by the Institute, the report states that an education sub-committee was formed during the summer with the object of investigating the feasibility of collaborating with local education authorities in the provision of courses for articled clerks. As a result of a number of meetings with education authorities, it is hoped to hold a three-week introductory course for articled clerks at colleges of technology in Leicester and Northampton during October.

#### THE NOTTINGHAM SOCIETY OF CHARTERED ACCOUNTANTS

Mr P. H. Palmer, F.C.A., a partner in the firm of Prior & Palmer, Chartered Accountants, of Nottingham, has been elected President of The Nottingham Society of Chartered Accountants for the year 1964-65.



Born in 1919, Mr Palmer was educated at Nottingham High School and was articled in 1937 to his father Mr H. F. Palmer of his present firm. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1952 following a lengthy period of convalescence after service during the Second World War in the Royal Navy. He

became a partner in Prior & Palmer in 1952.

Other new officers for the ensuing year are as follows:

*Vice-President:* Mr E. D. London, F.C.A.

*Hon. Secretary and Treasurer:* Mr R. F. Holloway, F.C.A., Bentinck Buildings, Wheeler Gate, Nottingham.

#### Annual Report

In the committee's annual report for 1963 membership of the Society at December 31st is given as 475. The potential membership it is stated is over 750, and following the advent of 'automatic membership' (whereby

members may now join a district society without payment of a separate subscription) a considerable increase is expected to be reflected in the 1964 report.

During 1963 three luncheon meetings were held and the Society's annual dinner dance was attended by over three hundred members and guests. The report goes on to express the committee's desire for members' suggestions with regard to extending the scope of both the Society's professional and social activities. The report of the Society's Nottingham Chartered Accountants Students' Tuition Scheme states that the average attendance at Saturday morning lectures had been maintained, but the committee felt that fuller advantage could have been taken of this opportunity for articled clerks to supplement their studies. With approximately 350 students in the area, support given to the lectures was disappointing in view of the expenditure involved. If more principals, the report adds, were to urge all their articled clerks to attend the lectures, the fee involved could be substantially reduced. In a reference to introductory courses, the report states that the value of these cannot be too strongly emphasized and principals are urged to see that their clerks take full advantage of the facilities offered by colleges of further education in training future members of the profession.

#### THE CHARTERED ACCOUNTANT STUDENTS' SOCIETY OF LONDON

##### Deputy-Secretary Appointed

The Committee of The Chartered Accountant Students' Society of London has appointed Mr Derek du Pré to be Deputy Secretary of the Society.

Mr du Pré, who recently relinquished the post of Secretary of The Institute of Cost and Works Accountants, was formerly editor of *The Accountant*.

#### THE INSTITUTE OF INTERNAL AUDITORS

##### London Chapter

The annual general meeting of the London Chapter of The Institute of Internal Auditors will be held on Wednesday next, at 6.30 p.m., at the Kingsley Hotel, Bloomsbury Way, London WC1.

#### ECONOMIC CONDITIONS IN THE NETHERLANDS

A further booklet in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has now been issued covering the Netherlands. Copies of the booklet are obtainable from H.M. Stationery Office, price 5s each.

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# THE ACCOUNTANT

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## Parish or Region?

WHATEVER justification there may be for the old gibe about 'parish pump' politics, the fact is that local government is by any standards big business. The gross income of local authorities in the United Kingdom is equal to some 10 per cent of the national income; they account for about one-third of the investment expenditure in the economy. The 1963 revaluation brought home to the public in some parts of the country, but not by any means in all, the implications of the rising trend of local expenditure for the average ratepayer. The Government has been driven to enact the Rating (Interim Relief) Act, pending the results of the Allen Committee's inquiry into the incidence of the local rate. It has also promised to institute a fundamental review of the rating system and the entire structure of local government finance.

Public concern with the mounting cost of local authority services is tending, however, to distract attention from the more fundamental problem of the structure and role of local government in modern Britain. The existing system, like Topsy, just grewed. No one can contemplate the present-day product of Victorian paternalism, Fabian gas and water socialism with an admixture of medievalism, without experiencing an urgent desire to reform it. Unfortunately, opinions as to the best mode of reform differ widely and, in the face of conflicting opinions, it has not proved unduly difficult to resist major changes. A good example of the difficulties is the rejection by the Government of the proposals of the Local Government Commission in respect of Rutland and the mid-Welsh counties. This reflects, according to one's point of view, either the sturdy individuality and independence of local communities, or a blind resistance to progress by administrative anachronisms.

The financial needs of local government are determined by two considerations: firstly, the duties and functions placed upon them by the Central Government, secondly, the efficiency with which these services are provided. Any reform of local government finance, unless it is to be a purely *ad hoc* temporary expedient such as the proposed increase in Exchequer aid, must be reviewed in the light of the structural and functional changes deemed necessary in the longer run.

It is against this background that a paper read to the annual conference of The Institute of Municipal Treasurers and Accountants must be assessed. Mr R. G. MORGAN, B.COM., F.I.M.T.A., F.S.A.A., Borough Treasurer of Brighton, pointed out in his address on 'Local government reorganization - some financial



implications', that the Local Government Commission had in their recent reports made it clear that financial considerations were only one of the matters to which they should address themselves. In Mr MORGAN's opinion, the reports published to date suggest that 'financial considerations have played a negative rather than a positive role'. Thus where lack of financial resources has, in the view of the Commission, been hampering the development of effective local government, they have made proposals to strengthen the resources. But where changes have been recommended for reasons other than financial, the financial implications thereof have been allowed to override the need for reform.

One of the most striking features of the existing structure of local government in England and Wales is the disparity in the resources of authorities of equal standing. Mr MORGAN's figures reveal that among the counties, the penny rate product varies from £2,092 to £571,982. These are admittedly the extremes, but his data serve as a reminder that both in the counties and county boroughs, size and resources are closely correlated. Admittedly, size and needs are also, generally speaking, correlated, but there is more diversity in respect of needs. He shows that among the counties the education costs which dominate local finances, expressed per 1,000 population, vary between £16,000 and £28,000 with a marked concentration around a mean outlay of about £20,000.

The main conclusion drawn by Mr MORGAN from the data in this table is the disparity in relative administrative costs. He argues that while there may not be an optimum size of local authority, there is, given the basic staffing requirements for the maintenance of adequate services, a minimum below which the burden of such costs on ratepayers is very real. For example, in the case of two small Welsh authorities the administrative costs of the education services per 1,000 population are more than twice as high as those at the lower end of the table. He makes the valid point that lack of resources which characterizes the smaller authorities must act as a break on progress, while economies of scale can be achieved by the merging of such bodies. Not least, such mergers ensure the full utilization of senior staff which, given its short supply, is consistent with national economic needs.

As long as local government is not prepared to put its own house in order, proposals that the cost of maintaining the existing structure should be shifted on to the Exchequer are self-defeating. Mr MORGAN makes the obvious point that if the Exchequer is to shoulder still more of local expenditure, for how long can the authority remain master in its own house? There may be some ratepayers who would be prepared to abandon what remains of local independence in exchange for rate relief. But, as Mr A. R. ILLERSIC argued in a letter to *The Times* last week supporting Mr MORGAN's viewpoint, the rate burden would merely be exchanged for an additional tax burden.

Mr MORGAN sounded a more controversial note when he stated that if as a result of conferring county borough status on a town, the surrounding county authorities had to raise their rates to offset the loss, there was no objection to the new county borough continuing its financial support of county services. A case for some transitional assistance could be made out on the grounds that county ratepayers should be protected against sudden sharp increases in their burdens. But, beyond this it was for Exchequer grants to be apportioned between individual authorities on the basis of their respective resources and needs. Following this line of thought Mr MORGAN contended that those severely hit by the last revaluation should be relieved through the Exchequer. Failing such solution, he believed that 'both the rating system and local government as we know it are in grave peril of disappearing'.

At least one of the main political parties has promised early reform of local government. Whatever the next Government, changes, now long overdue, are coming. Mr MORGAN has drawn public attention to some of the consequences of change. Yet, in his role as treasurer, the accountant has an even more important role to play. Already, in many authorities, the financial officer acts as effective custodian of the public purse. As the scale and rate of local expenditure continues to expand, it is to be hoped that the accountant will be able to bring to bear still more effectively his expertise in management and costing. It is for the profession to show the public that cheese-paring and efficiency audits are poles apart.

# Depreciation – all Things to all Men

by DESMOND GOCH, A.A.C.C.A., A.M.B.I.M.

ASK a layman what he understands by the term 'depreciation' and the odds are that he will liken it to the fall in the resale value of a new motor-car which, in times of unrestricted supply, ensues from the moment when it is first driven out of the showroom; but put the same question to a random sample of accountants and it is equally likely you will encounter a much wider diversity of opinions.

It is regrettable enough that we have been unable to reconcile the opposing viewpoints of the 'original cost' and 'replacement cost' schools of thought on this very subject, but it is even more saddening to observe the lack of unanimity among the traditionalist accountants when they attempt to set down on paper their definition of the orthodox concept.

The views on accounting theory which accountants acquire in their student days are in most cases the ones which remain with them throughout their careers – for in our profession, as in many walks of life, habits of mind and thought are deeply ingrained and few have the temerity to question basic conventions and practices. Indeed, the iconoclast runs the risk of being regarded as faintly disreputable. Within this professional environment it is therefore natural that among the most important formative influences on our attitudes to these conventions are the views expressed and definitions quoted in the more widely-used accounting textbooks; they are at the very roots of accounting teaching.

## Marked Difference

The impression one gathers from reading some of these textbook definitions of depreciation is of a marked difference of emphasis in the authors' views. They usually tackle the subject from one of several angles. Some of them define it as being strictly in the nature of the asset's loss of value due to wear and tear, obsolescence, or similar causes, while others prefer to regard it simply as the amortization of expenditure incurred for capital purposes. The fact that there are these two basic approaches to the concept of depreciation makes it unnecessarily difficult for the student or layman to achieve a proper understanding of the subject, and the diversity of explanations given in the extracts quoted in this article are an

indication of the general lack of unanimity within the accountancy profession itself.

It possibly springs from the somewhat schizophrenic attitude that many accountants adopt towards a balance sheet. They appear to suffer acute mental conflict as the result of their desire at one moment to treat it as an accounting statement of custodianship and at the next moment to regard it as a statement of the value of the business. Although their innermost instincts reject the fallacies and pitfalls of the latter approach, in the next breath they quote with an air of authority the 'net worth' of the business as alleged to be shown by the figures on the left-hand side of this ambiguous document!

If accountants cannot agree among themselves as to the true nature of a balance sheet (and hence the true nature of depreciation), then they cannot complain if the world at large treats them and their figures with a certain amount of justifiable scorn.

It is therefore pertinent to consider what some of the major textbooks have to say about depreciation and its relevance to accounting theory and practice.

## 'Loss of Value' Concept

The 'loss of value' concept is exemplified by this definition taken from *Principles and Practice of Book-keeping and Accounts* – B. G. Vickery (1957):

'Depreciation may be defined as the permanent decrease in value of an asset through wear and tear in use, or the passage of time.'

A similar view is expressed in *Book-keeping and Accounts* – Cropper, Morris and Fison (1949):

'Depreciation is the term employed by accountants to indicate the gradual deterioration both in the value and the usefulness of those assets which, by reason of their nature and uses, steadily decline in value.'

and also in *Accountancy Explained* – W. T. Dent (1957):

'This (depreciation) means the diminution in value of an asset from any cause, but the word depreciation is usually applied to loss in value of fixed assets. . . .'

Each of these definitions places emphasis on the 'loss of value' concept, and this view is supported

by the authors of *Carter's Advanced Accounts* (1962) who write thus:

'Unless assets are depreciated, it is obvious that, on the balance sheet, their value will be overstated; and the balance sheet will not, therefore, be a correct representation of the state of the business.'

It is interesting to note in this definition the reference to the importance of correctly stating the fixed asset *values* in the balance sheet.

### 'Amortization of Cost' Approach

The second concept, the 'amortization of cost' approach, is very succinctly expressed by the author of an American textbook, *Fundamentals of Accounting* – Henry H. Wade (1951), in which he writes:

'Depreciation is a term used to describe a systematic amortization of cost over useful life *without regard to value during that life.*'

He obviously has something different in mind from the other authors and it seems that he is supported by *Accounting* – Rowland and Magee (1962):

'The difference between the cost of machinery and expenses such as wages or rent is essentially one of time; the benefit from all these payments is exhausted sooner or later. In the case of machinery and other fixed assets, the benefit happens to be spread over a longer period of time. The object must be to apportion the expense represented by the cost of a fixed asset over the whole period to which the expense relates. The figure at which the asset appears in the balance sheet therefore represents the unexpired part, calculated on a time basis, of the original cost.'

Further weighty support for this concept is given in *Accountancy* – Pickles and Dunkerley (1950), although the authors do genuflect to the 'loss of value' school of thought:

'Depreciation may be defined as the permanent and continuing diminution in the quality, quantity, or value of an asset. The purchase of an asset, generally, is nothing more than a payment in advance for an expense. A simple example of this is seen in the purchase of buildings. By such purchase the purchaser expends a certain sum in advance, as a result whereof he will save the cost of rent in the future, but at the end of a period of years the building will become valueless. Thus the purchase outlay is the equivalent to paying rent in advance for a period of years.'

It is divergence of view as to the nature of the figure of fixed assets in the balance sheet, i.e. residual *value* or unamortized *cost*, that brings out the contrast between the two approaches. However, just in case anyone should think that all scope for further confusion has now been

exhausted, let them consider yet a third concept that is expounded in the following definition from *Accounting Practice* – K. Hall West (1956):

'Depreciation as a term is rather out of date; its original meaning was the expiration of the value of an asset over a period of years, and the provision for the recoupment of the loss thereby sustained so as to replace the original asset, a sort of "historical loss". Today there is a shift of emphasis. Depreciation, as it is still generally called, means not so much the writing off of the cost of the old asset as provision for the purchase of the new.'

No doubt some accountants will be thinking this is where they came in.

However, it is difficult to understand exactly what was in this author's mind when he wrote '... provision for the recoupment of the *loss* thereby sustained so as to replace the original asset. ...'. Authors of other textbooks, including some who have not been quoted, have also referred to a loss being sustained, but the accounting process of incurring capital expenditure and subsequently recovering it as a cost does not, merely by virtue of its nature, necessitate incurring a loss – unless the asset is resold at a price below the written-down book figure.

### Unorthodox View from a Company Report

Departing from the textbook examples, it is interesting to note the following extracts from a definition of depreciation which is incorporated in a simplified [*sic*] version of the 1963 accounts of Davy-Ashmore Ltd prepared and issued for the benefit of its employees:

'To depreciate means to diminish in value and each year a charge is made against profits, and the value of the fixed assets being used in the business is reduced by the same amount. ... The important thing is not the recording of the reduction in the *value* of the assets but the provision of adequate cash for the *replacement* of the assets. ... Rather than regarding depreciation as the amount of the reduction in the value of the assets, it is better to regard it as the amount of cash and therefore the amount of *profits* required each year as a contribution towards the total amount needed to maintain an organization in an efficient manner.'

The writer of this definition, to the extent that he refers to the need to earn a certain amount of profit to cover depreciation, seems to envisage it as an appropriation of profit rather than a charge to be made 'above the line'. This is, of course, contrary to most accountants' thinking on the subject and could prove to be a particularly controversial point of view.

At the risk of still further confusing the

accounting purists and the plain uninitiated, I will conclude by quoting the following reference to depreciation from a paper read to the European Congress of Accountants in Edinburgh last year by Mr C. M. Jennings, F.A.C.C.A.<sup>1</sup>:

'It is the duty of management on behalf of the shareholders to ensure as far as possible that the shareholders' capital is maintained intact. This can only be done if, out of the cash-flow arising each year from the operations of the enterprise, such provision is made as will, at the end of the life of the assets, replace them or be available for alternative investment or refund to the shareholders.'

This statement seems to express a brief,

<sup>1</sup> See *The Accountant*, January 11th, 1964, at page 37.

matter-of-fact definition of the modern concept of the nature and purpose of depreciation – but with such an obvious diversity of professional opinions on record, it would be rash to expect that it will meet with universal approval!

Perhaps, after all, we should emulate the example of the legal profession and seek the views of the man on the Clapham omnibus.

*Author's note:* In drawing on the various quotations for this article I have used my discretion in editing some of them so as to avoid unduly lengthy extracts – but I hope I am not guilty of taking sentences out of their context. All the italics are mine, and the dates in brackets indicate which editions were consulted.

## Jobbing Backwards

by An Articled Clerk's Father

THE saying that we live again in our children never seems more true than when one of them takes the Institute's Intermediate, the same yet not the same, examination I took all those years ago in that remote un-teenage world of 1929.

Holding myself out as an accountant, more is expected of me by my son than if I were of some other walk of life; I must accept a professional as well as a paternal duty to him. Have I discharged this with reasonable care and skill? Have I perhaps hindered rather than helped him by well-intentioned descriptions of the audit methods appropriate to stock verification recollected from my own articled days when the *Kingston Cotton Mills* decision was less hoary and more respected?

When he tells me of the methods used at his office (questionnaires and all) I find myself as old-fashioned as Pacioli. But perhaps that dissertation on the true inwardness of debits and credits, and that account of the fraud I once accidentally brought to light before he was born, will stand him in good stead in the auditing paper.

Has he devoted enough time to study, I ask myself; and if not, whose fault is it – his or mine? Perhaps I ought to have put my foot down more often on Saturday nights when the claims of learning how to balance and how to twist were in almost visible conflict in his mind. If I'd introduced a system of time control (disclosing idle time variances) he might now be able to distinguish insurance from assurance and the balance of trade from the balance of payments.

We have frequently discussed his test papers

not, I hope, as father and son but in a manner appropriate to two professional men both desirous of preparing true and fair accounts, but differing somewhat in their approach. I have experienced feelings of pride that my son knows so much (so that's what variable expenses are), of scorn (doesn't he know that debits go on the left), and frequently of bewilderment (he persists in saying that claims for losses come under section 341 and not section 34 as they always used to).

Some of the questions one seems to remember tackling oneself. Surely that one about the 100 bales of merchandise sent to Jamaica is familiar. And the last time one addressed one's mind to the entries to record the forfeiture and reissue of shares was certainly at one's Intermediate examination.

But not all the subjects are familiar. My examination world was unsullied by consolidated accounts, marginal costing and, one is appalled to learn from the new Final syllabus, statistics. It is borne upon one that these are times of change. 'To' and 'By' have disappeared and Moorgate Place has gone to Clerkenwell.

But now all this is over. All I can do is to wish my son well as he sets out for the examination, guarantee a complete absence of reprisals if the examiners win and, in spirit, sit beside him at each paper. Afterwards the long period of waiting for the result begins. Should one counsel revision 'just in case' or, more optimistically, send for his Final course papers? Perhaps, best of all, let him forget textbooks for a while for, if deserts are to be relied on, he will pass.

# Physical Coherence or Temporal Coincidence

## Formulating Standard Rules for Inventory Valuation

by J. W. MATTHEWS, B.Sc.(Econ.), F.C.A.

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**A**N article in the American *N.A.A. Bulletin* for March 1962<sup>1</sup> pointed out a serious lack of consistency in professional procedure with respect to the year-end valuation of unsold stocks, in that some valuations include an amount for fixed overhead expenditure, while others do not.

'The principal purpose of inventory accounting', declares the (American) Research Bulletin No. 43, quoted in the same article, 'is the proper determination of income through the process of matching appropriate costs against revenues.'

'It appears', says the writer of this article, 'as though the subject has not really been approached with a desire to solve the problem. . . . It is essential that the accounting profession should adopt some form of statement on inventory costing. . . .'

Sir William Lawson, C.B.E., B.A., F.C.A., in his paper 'The Banker and the Jenkins Report on Company Law',<sup>2</sup> expressed a similar view:

'I . . . believe that it would be an advantage to the public if there could be a greater degree of standardization, particularly as regards the method of including or excluding overhead expenses in the cost of finished goods and work in progress.'

It is this 'basic postulate of accrual accounting'—the matching of expenditure against revenue—which will here be examined in the hope of establishing a case for standard rules as to inventory valuation.

### Corner-stone of Faith

That the annual decisions as to what revenue shall be credited and what expenditure debited in the final accounts, are based on understood principles universally accepted, is a corner-stone of faith for accountants. In fact, practice is guided as much by tradition as by understanding;

<sup>1</sup> John V. van Pelt III: 'Inventory Valuation lacks Accounting Standards'.

<sup>2</sup> Published by The Institute of Bankers, 1963.

methods are relied upon because they have survived the test of experience. In consequence, inconsistency has crept unnoticed into accounting practice—inconsistency highlighted by the controversy over total (or absorption) and marginal (or direct) costing methods. Two different ways of finalizing the financial accounts, each producing different results for the year, can each claim to rest on fundamental principles.

The basis of discussion may be stated as follows. On the income side of the revenue account, credit can be taken for an item provided it is for goods supplied or service rendered within the year *and* it is, in the legal expression, a liquidated sum, meaning that it is ascertained and claimable. Here the area of doubt, and with it the possibility of inconsistency, is marginal only. In contrast, the criterion for charging expenditure against the ascertained revenue is that a particular item *either* attaches to a particular item of revenue credited within the year (the physical match), *or* provides service over a period of time falling within the year (the temporal match).

For certain kinds of expense, which may well make up a large part of the total expenditure, it is not easy to determine which basis is the more appropriate; and, in respect of some portion of this part, a decision in favour of the physical as against the temporal criterion will shift the charge from an earlier to a later year, and so enhance the net revenue estimate for the earlier year. On this side, therefore, the area of doubt and of possible divergence in procedure is by no means marginal.

### Traditional Principles

Accounting technique was developed to record the transactions of trading concerns. In a merchant's accounts the cost of goods is recovered out of the proceeds of the same goods, item by item. At the end of the year the cost of unsold merchandise, reduced by any anticipated loss on

realization, is carried forward to be recovered out of the sale of that merchandise. This expenditure then is matched against revenue on the basis of physical identity.

Other expenditure is recovered on the period basis, out of the revenue brought to credit in the year in which the service paid for was enjoyed or the commodities used up (stores, stationery, equipment) or, for miscellaneous items and where the period of service cannot be precisely ascertained, in the year in which the expenditure was incurred. Such expenditure is matched against revenue on the basis of coincidence in time.

Carriage inwards is a class of expense clearly associated with the merchandise, but for convenience – because it is not a major item – it is recovered according to incidence in time. Only if included in the invoiced price or added to unit cost in the books is it recovered along with the cost of the goods, so that part of carriage inwards is then, correctly, carried forward in the value of unsold stocks. The amount involved is not material, and customary procedure errs on the side of understatement. A similar conservatism rules that other items which are doubtful or of small amount are to be recovered within the period of incidence.

This, then, is the original application of those criteria distinguished in a later cost-conscious age by the terms 'product costs' and 'period costs'. The cost of merchandise and, where possible, other expenditure associated with particular goods are to be recovered, as product costs, out of the proceeds of those goods with which they are identified. Other expenditure is treated as period cost, the recovery period defined by the period of use or, for minor items, by the date of payment.

Selling expense falls, in theory, under the product basis and, in some cases, part is carried forward against future sales with which it is deemed to be associated; but more often, because such expenditure cannot be attached with certainty to specific items of revenue, prudence prevails and the period guillotine cuts it off. There is, in this well tried procedure, an eye to liquidity also; the net profit should be available for distribution at least by the time the general meeting is held.

### Where Inconsistency Arose

Manufacturing industry arose, historically, after trading activity. Financial accounting method by itself was found insufficient and cost account-

ing was introduced for supplementary use. Absorption costing became the accepted method and this it was which brought inconsistency into financial accounting practice. In order to work out total cost per unit, period costs were added to product costs and came to be included, if only to the extent of works overhead, in the value of work in progress and finished goods carried forward.

That 'fixed costs are period costs to be borne by the operations of the period', is the traditional principle, established before cost accounting was born and sanctioned by the wisdom and experience of successions of prudent business men. The *Members' Handbook* of The Institute of Chartered Accountants in England and Wales (section N22) defines fixed overheads as

'standing charges . . . which accrue and expire wholly or largely on a time basis,'

and variable overheads as

'not so closely associated with production or the volume of production as to be classed as direct expenditure'.

The product and period criteria clearly underlie these definitions.

### The Ideal and the Practical

The recommendations in N22, *Treatment of stock-in-trade and work in progress in financial accounts* (issued November 16th, 1960), are carefully non-committal, but the considerations prefacing the actual recommendations include cogent argument in favour of the traditional application of these criteria, in particular:

'9 (b) Where the levels of production and sales . . . are subject to material fluctuation . . . it may be decided to exclude these expenses from stock on the ground that their inclusion in stock has the effect of relieving the profit and loss account in the period when they are incurred of expenses which it should fairly bear and of charging these expenses in a later period to which they do not properly relate.

'9 (d) In businesses which are highly competitive or have a sensitive market for their products, overhead expenditure may properly be omitted in order to avoid carrying forward expenditure which may prove irrecoverable. . . .

'9 (g) The less the fixed or standing charges vary in amount with variations in the volume of output, and the more they accrue on a purely time basis, the greater is the justification for their exclusion.'

Accounts of industrial concerns that use full absorption costing and that carry forward unsold stocks at recorded value, approach what Paton

and Littleton, in *An Introduction to Accounting Standards*, claim to be the ideal:

'Ideally, all costs incurred should be viewed as ultimately clinging to definite items of goods sold or service rendered. . . . Time periods are a convenience, a substitute. . . .' (Chapter 2, Concepts.) Practice falls short of this in absorbing (without question, correctly) standard overheads only, not the cost of idle capacity. This in itself shows the remoteness of the ideal from reality. The theory implies that all expenditure creates value which can be stored up against realization in income. Like Marx's labour theory of value, this does not accord with the facts. Only if 'ideal' means Utopian rather than theoretical, if sales forecasts are always realized and always require capacity production can this claim, as will be shown, be accepted; and then only for manufacturing to contract. It does not follow, because the revenue out of which costs are recovered comes from definite items of product, that every item of expenditure would cling, even ideally, to some item of revenue.

Accounting is a practical art and in coming to terms with the facts of economic activity the time factor cannot be ignored. The statement quoted is a bold attempt to resolve a theoretical uncertainty by denying independent validity to the period criterion. A more acceptable statement of the theoretical foundation of accounting method is found in Chapter 5 (Income) of the same work:

'The problem of matching revenue and costs is primarily one of finding satisfactory bases of association. . . .'

### Product Cost and Period Expense

The significant difference between product and period expenditure is that the former is incurred once for all and the value, subject to deterioration, accident or market fluctuation, persists in store until realized; whereas the latter is strictly temporary – it expires and must be paid again, without adding at all to the value of finished product held for sale.

Product costs, it is true, may be paid on a period basis (direct labour, for example, when paid day-rate wages), but each payment is for a different lot of goods in which its value is stocked up against sale. Warehousing costs and general expenses of administration (factory as well as office) are incurred to carry on the business as a whole during the period they cover or in which they become due. They are paid for the period and should be recovered within the period.

Only in the special case of commodities which are held deliberately because they improve in quality with age, can period expenditure be added to the value of the goods, because in this case it does increase their value. This, however, appears not to be usual practice – Institute Handbook N22, 9 (e). Except in this case and subject to a proviso in respect of the processing period discussed later, period expenditure not recovered out of the revenue of the same period is a loss, to be charged against reserves or capital, or, if carried forward, to be described as 'loss carried forward' or 'expenditure carried forward', not taken out of charge in the revenue account and included in the balance sheet as part of the realizable asset, stock of work in progress and finished goods.

So to describe it is such an abuse of accounting terminology as to make balance sheet description worthless. The notions of the business man himself are not so confused. He expects his period expenditure to be recovered within the period. In certain years during, say, initial development or when demand falls off, he may not recover all this expenditure. He carries on, if at all, in the expectation or hope that later profits will be sufficient to recover the accumulated backlog. He does not pretend to himself that the unrecovered expenditure of those lean years represents an asset. Yet, if he includes even standard overheads in unit cost for stock valuation, that is what he is in some measure stating in his records.

Van Pelt, in the article first quoted, takes what amounts to a half-way position:

'... Inventory costs should include not only direct production costs but also those elements of overhead which are directly related to the production processes.'

The inclusion of factory overheads in unit cost is a practice so widely followed that it may be said to be orthodox procedure for manufacturers. The aim is to arrive at a unit cost figure comparable to the merchant's wholesale price. To include this at the same time in the unit value for stock-taking tends, quite apart from theoretical propriety, to exercise an improper influence on business policy.

'... it is possible to improve reported profits by manufacturing for inventory and thus absorbing more fixed costs, reducing the unabsorbed amount chargeable to income. Indeed, if production exceeds normal capacity . . . favourable variances . . . are generated'.<sup>1</sup>

<sup>1</sup> Louis H. Jordan: 'A Discussion of the Usefulness and Theory of Direct Costing', *N.A.A. Bulletin*, March 1962.



### The Case for Absorption Costing

At the same time as van Pelt's article was published in America, another American, George J. Staubus, writing in *The Accountant*, criticized the Institute's recommendations N22, contending that, on the contrary, fixed costs should be included in inventory values<sup>1</sup>. His main arguments are:

'(1) contrary to what advocates of direct costing assert the presence of existing stocks does, sometimes, avoid future fixed costs. Most fixed costs, he claims, are costs of providing capacity to produce and, where idle capacity is not carried (he admits that this occurs only "in a minority of producing departments") the existence of stocks of finished goods may save the equivalent of several years' fixed costs . . . the addition of the existing stocks to future production schedules could be expected to add costs of providing capacity to produce, in an amount similar to the costs allocated to the goods by the traditional full absorption costing method.'

'(2) Full cost of production is not only likely to be nearer to replacement cost than is direct cost, but can also be expected to approximate more closely the goods' future contribution to the firm's cash position.'

The second argument may be dealt with briefly. It relies on the valuation function of the balance sheet. Indeed, the writer comes near to advocating that stock should be valued at 'proceeds since realized'. The crucial question in this connection is, which is more important, the balance sheet, assessing the value of the business at date, or the revenue account, making a fair estimate of ascertained revenue for the period, with the balance sheet relegated to the status of a residual document. There can be little doubt that for a going concern, exceptional circumstances apart, annual valuation is of less importance than the statement of earnings. "The principal purpose of inventory accounting is the proper determination of revenue."

A fair assessment of revenue is one which is both prudent and relevant to current fortunes rather than future hopes, and this, it is submitted, requires that stock, for the revenue account, be valued at direct cost or at direct cost plus a fraction of period expenditure proportional to production time, so that 'equal profits are reported for equal sales even though production fluctuates' (Louis H. Jordan). A note of estimated market value can be shown on the balance sheet,

or an upward adjustment made for the balance sheet through reserves not available for distribution.

### The Middle Way

The first contention of Professor Staubus may be conceded in part. It opens the way for some addition to variable cost, but not, it is submitted, a standard overhead addition to units of output. Modern production methods require, for most firms, an even flow of output. This is achieved, against fluctuating demand, by varying the quantity of stocks carried. A standard overhead addition to unit cost included in stock valuation, means that the amount of period expenditure carried forward will vary correspondingly. At the close of any year in which sales are low and stocks, in consequence, are high, the period expenditure carried forward is increased. Net profit is related to output rather than revenue, in defiance of the cardinal principle that net profit should be a realized surplus, and against financial common sense which requires that profits be distributable. What can be counted as part of production cost, and this is the real distinction between industrial production and merchanting, is the period expenditure corresponding to normal processing time.

A merchant buys goods ready for immediate resale or as a speculative holding (breaking bulk, sorting, blending and packaging are forms of processing). A particular manufacturing routine involves a certain irreducible processing period. The period expense incurred during this period is inescapable and must be allowed to be inherent in the cost of the normal or capacity output of that period. A minimum irreducible overhead burden per unit can, for a firm producing a single type of product, be calculated by dividing normal period expense by the number of units normally produced at capacity running during the period. If less than capacity output is produced in any period then the period expense recoverable out of the proceeds of specific output is correspondingly reduced. The rest is lost and should be recovered out of total revenue earned in the period during which it has run to waste.

### Abnormal Inventories

But even given capacity output, so that total period expense is 'attached' to units of output, cost still has to be recovered out of sales. With maximum sales as well, the stock of finished goods and work in progress at every accounting

<sup>1</sup> 'Stock Valuation Reconsidered'. March 10th, 1962.



date will be at a minimum (this will not necessarily be the minimum held at any date, because of the possible incidence of stockpiling to meet seasonal demand). Also the quantity will be the same at every accounting date, except when a change of scale or of production methods intervenes. An excess quantity over this minimum will be found after a decline in sales and this, so far as can usually be anticipated at the time, will have to be counteracted by under-capacity working in the following year, with a consequent loss in unattached period expense, a loss attributable to the shortfall in sales of the earlier year.

Period expense, therefore, should not be carried forward in respect of such excess units, but recovered in the year of production, in anticipation of loss. An enlarged stock may, however, be piled up because of overtime production (where this is possible), in expectation of increased demand. Here the same amount of period expense is spread over a larger output so, again, no extra amount can be carried forward as attached to the excess units.

Stock may be less than normal if production runs at less than capacity towards the end of the year. Period expense is proportionally lost so that only the amount attachable to the actual stock ought to be carried forward. But stock may not be less than normal in such a case; it may even be greater because of stockpiling caused by reduced sales. In this case only period expense attaching to work in progress and finished goods just completed, that stock which the firm has had no opportunity to sell, ought to be carried forward, the remaining stock being carried forward at direct cost only.

### A General Formula

The amount of period expense which can properly be carried forward from one accounting period to the next is, then, the minimum overhead per unit, what may be called the 'unit value-burden', multiplied by the lesser of:

- (a) normal number of units (work in progress being included fractionally) in stock at the year-end;
- (b) actual number of units in stock at the accounting date;
- (c) normal number of units  $\times$   

$$\frac{\text{current actual output}}{\text{current capacity output}}$$

By this formula a more or less constant proportion of each year's period expense will be carried forward, in contrast to the full-absorption costing principle, under which period expense

carried forward varies in proportion to the quantity of work in progress and finished product unsold at the accounting date, so that, in effect, part of the expenditure of a bad year is shifted forward.

There are sound reasons for spreading the burden of loss over a period of years. A business is run on a long-term basis, taking one year with another. But whatever it may be expedient to show to shareholders and investors, the accounts should show the management the real incidence of profit and loss, not disguise losses as value carried forward.

It should be noted that the 'attachment' of period expense to units of output is solely for the purpose of determining how much period expense may properly be carried forward for future recovery and is no argument in favour of absorption costing against direct costing. That controversy is concerned primarily with the ends served by recording and analysing cost and only incidentally with the problem of matching expenditure against revenue. What is worth-while procedure in cost accounting has no real bearing on final inventory valuation for the measurement of net revenue.

In the case of a multiple-product firm the calculation of unit value-burden may present difficulties. Period expense may be reduced to an amount per hour. This must then be apportioned in some way among different products, probably by way of processes, to obtain a unit hour value-burden.

### Guidance on Basis of Apportionment

Opportunity cost gives some guidance as to basis of apportionment. The difference in contributions, per cent of avoidable capital investment, may be taken as an indication of the overheads which would be incurred if the particular process were carried out in isolation. If general overheads for different activities were in the same proportion to capital investment, the percentage contribution, through competition, would tend, like the net profit percentage, towards equality.

An economically correct allocation of period expense is not perhaps of great practical significance. The optimum conditions, capacity output and maximum sales, can be established; only where the stock or production of a particular product falls below normal in isolation, will a mistaken attachment of overheads cause error, and that very slight.

A supporting argument for the formula

proposed is that excess stock takes on the nature of a speculative holding, upon which a conservative value should be placed. Building and engineering contractors customarily apportion all overheads to jobs at a standard rate, worked out, one may suppose, on a basis of capacity production. Recovery is assured by contract, and debited expenditure, including overheads, provided not in excess of a proper proportion of estimated total cost, is rightly carried forward at the accounting date, except so much as is recovered out of interim instalments of the contract price. Should such a firm employ idle capacity on 'stock orders', it were well advised to carry forward such stock at direct cost only. The period expense which would have been lost may be recovered by sale, but this is a highly speculative basis upon which to carry forward period expense.

In many manufacturing concerns the processing period is so short that the carry forward of overheads calculated in this way would be negligible. In merchanting, no significant processing period occurs and it is well established that merchants do not, ordinarily, carry forward any part of period expenditure relating to one year into the next.

There is, however, for merchants and for industrialists manufacturing for stock, a 'holding' period; so many weeks' stock, as the expression goes, must be carried for display purposes and for the convenience of customers. A proportion of period expenditure corresponding to this might be carried forward from one year to the next. However, there is no inconsistency of practice in this respect, nor, after initiation, would net revenue be affected; the rule of prudent understatement may be allowed to continue undisturbed.

### The Economic Concept

R. Lee Brummet, who admits ('Direct Costing: Its Weaknesses and its Strength', *N.A.A. Bulletin*, March 1962) 'the superiority of this kind of income statement over the conventional form', nevertheless complains that

'direct costing causes figures to depart from true value even more than they do under conventional costing',

and he avers that

'inventory adjustment to absorption costing produces a reported net income figure which is closer to the economic concept of income...'

The assertion is not supported by argument.

The economic concept of income is of particular significance for social accounts, and examination in that context shows the contrary to be true.

Increase in stocks is, in the national accounts, added to sales to make up the total disposal of product, which is equal to domestic product achieved (as measured in incomes generated) plus imports. Period expenditure not recovered within the period cannot, for the community as a whole, be regarded as part of product and income. The expenditure (and the incomes generated) must of course be included, but income from profits and stock valuation should be correspondingly reduced in respect of those individual returns in which such period expenditure has not been charged against profits. In short, period expenditure carried forward by firms should not be included in the nation's product and income, at least not more than the minimum, the proportion attributable to the processing period.

### Suggestions for Standard Procedure

It remains to make suggestions for standard procedure. Expenditure can for this purpose be classified under four heads:

- (i) all expenditure directly associated with or varying in direct relation to output or sales, including wear and tear of productive equipment;
- (ii) period expenditure or fixed overheads, including depreciation of equipment through age and obsolescence<sup>1</sup>;
- (iii) indirect expenditure, measured by use, general stores, stationery and depreciation of office equipment;
- (iv) miscellaneous expenditure, including selling expenses not capable of association with particular items sold or particular selling periods.

It is submitted that accounting practice should be consistent with the following criteria:

- (1) Direct expenditure is recoverable out of the proceeds of the product with which it is identified or associated.
- (2) Period expenditure should be recovered out of

<sup>1</sup> 'The clearest example of a variable cost of providing capacity to produce is depreciation on equipment that deteriorates on the basis of use rather than a calendar basis. . . . The service potential of many plant assets, however, expires on a calendar basis regardless of the extent of their use' (George J. Staubus, *loc. cit.*). It is rare in practice to segregate wear and tear through use (product cost) from deterioration through age (period cost), and from obsolescence *per annum* (period cost) which can only be guessed at.

the revenue of the period to which it relates, except that

- (a) where the product increases in value through age, period expenditure may be added to product cost as a direct addition to value;
- (b) a proportion of period expenditure corresponding to the minimum processing period may be carried forward for future recovery, reduced proportionally if current production rate or actual stock is less than normal.
- (3) Use expenditure should be recovered within the period of use.

(4) Miscellaneous expenditure should be recovered within the period in which it is incurred.

There can be no objection to the recovery of direct expenditure before the realization period. This occurs, in effect, when stock is written down in anticipation of loss on realization. Finally, if expenditure is not recovered in accordance with these principles, the amount not so recovered is a revenue loss, and should be described as such, or as 'expenditure carried forward'.

# The Accounting World

## CANADA

### Why Historical Costs?

IN refreshingly provocative mood, Mr Howard I. Ross, C.A., President of the Canadian Institute of Chartered Accountants, has challenged the validity of valuing fixed assets at historical cost. Writing in *The Canadian Chartered Accountant* for April he says that the accounting profession tends to be dazzled by the ingenious and brilliant device of double-entry book-keeping, so that it seems to regard itself as custodian of the art of double-entry rather than of financial communication.

The fact remains, says Mr Ross, that historical costs are virtually meaningless in present-day contexts. Their appeal can only be the idea of their objectivity, which is quite an illusion. He points out that they had some meaning in the days of the joint venture of relatively short duration, but that this no longer applies to the long-lived corporation. Referring to the contrast between accounting for inflation by a composite index and accounting for replacement value, Mr Ross indicates his preference for the latter. It has the advantage that technical changes which alter the value of assets are taken into consideration, as well as changes in the general value of money.

Our job is to produce the most useful financial statements we can, concludes Mr Ross. We must stop worrying about procedures and decide what we want. Once we know this the techniques are available.

## SOUTH AFRICA

### School for Business Training

IT has been announced that the University of Witwatersrand is to have a Graduate School of Business Administration which will be planned on the same lines and strive to achieve the same standards as the Harvard School of Business Administration in the United States.

It may fairly be said that the average business man

in South Africa is mostly the product of his own flair for business or the result of years of hard work and long experience rather than being a man trained and educated scientifically for management in an academic atmosphere. It is hoped that the new school will provide the means for effecting a radical change from the rather time-worn method, or lack of method, that has been used so far. It is known that numbers of young South Africans are going overseas to get their training in business management and that quite a considerable number never come back because they are snapped up by American business men. The new school should result in South Africa retaining the benefit of the training and services of such young men in the future.

The school will need an endowment of R1,250,000 (£625,000) and one South African financial organization alone has contributed R400,000 (£200,000) towards this. It is hoped that business men will quickly put up the balance.

Because the school is to be modelled on American lines, it will be necessary to import the necessary academic staff from the United States in order to get the school established on a proper foundation.

## UNITED STATES

### Future of the Profession

MR SAMUEL J. DUBOFF, C.P.A., President of the New York Institute of Certified Public Accountants, writing recently in *The New York Certified Public Accountant*, quotes the American Institute's Long Range Objectives Committee: 'This is an age so unlike anything the world has known before that it is doubtful whether any one person comprehends just what is happening to our economic system and what its future course will be.' The committee has urged members of the Institute to learn the language of the computer and the use of higher mathematics in management problem solving. Mr Duboff quotes one expert as saying that 'the profession would do

better to look to a new generation and to the schools than to try to make itself over in new character'. He says that the committee is not certain about this, and that the question of incentive for continuing education arises. 'How many C.P.A.s will study for the intangible, indirect benefits of self-improvement?' it asks. The message for each of us is, says Mr Duboff: 'Keep up with the times or become obsolete'.

## **BRAZIL**

### **The Abacus Society of São Paulo**

THE report of the Committee of The Abacus Society of São Paulo, presented at the eleventh annual meeting of the Society on April 28th, states that the support and interest of members in the Society continues to be maintained – membership having increased from forty-nine to fifty-five.

Ten meetings were held during the year, most of which were well attended, and a wide variety of topics were selected for discussion. The Society's annual Christmas party, the eleventh to be held, again proved to be a successful and enjoyable occasion.

Referring to the economic situation in Brazil, the report states that for many years the rising inflation has caused an ever-accelerating declining trend in the purchasing power of the country's currency – price levels having risen by 80 per cent during the period of the twelve months to February 1964. This high degree of inflation has had such a material effect on all business and financial transactions that Brazilian

financial statements which do not reflect adjustments for the rising price level can be completely misleading. Lamentably few accountants in the country, the report goes on, have yet considered it necessary, when presenting financial statements to the public or to the tax authorities, to make adjustments to correct the effects of inflation on earnings. The result is that business enterprise does not, and cannot expect to receive a fair deal in the matter of taxation. This state of affairs, in turn, has led to the adoption of illegal practices in order to evade taxes and encourages a general decline in business morality.

Confessing that the problem of accounting for inflation is a difficult one, particularly in Brazil where the rate of inflation is so great, the report concludes by declaring that if financial statements are to be meaningful and are to give a fair presentation of the financial position and results of operations to the public, shareholders, tax authorities, labour unions, employees and to management itself, satisfactory accounting treatment must be developed.

The following committee has been elected for the year ending March 31st, 1965:

*President:* Mr P. C. G. de Kersaint Giraudeau, A.C.A.

*Vice-President:* Mr R. McDonnell, A.C.A.

*Hon. Secretary,* Mr G. H. Osborn, M.B.E., A.A.C.C.A.,  
Caixa Postal 8149, São Paulo, Brazil.

*Hon. Treasurer:* Mr C. J. Cross, F.C.A.

*Members:* Messrs R. H. Rogers, F.C.A., and J. Allen,  
A.C.A.

# Weekly Notes

## **BIRTHDAY HONOURS**

WE have pleasure in congratulating members of the profession named in the Birthday Honours List.

Mr J. Cockram, F.C.A., director and general manager, The Colne Valley Water Co, and chairman of Hertfordshire County Council, becomes a Knight Bachelor. Six members of the profession receive the C.B.E. They are: Mr L. C. David, F.C.A., recently retired from Coopers & Lybrand, Chartered Accountants, of Paris; Mr J. G. L. Francis, F.C.A., controller of finance, British Broadcasting Corporation; Mr F. Holland, F.I.M.T.A., comptroller, London County Council; Mr M. J. McRobert, F.C.A., deputy secretary, Arts Council of Great Britain; Mr A. Meikle, C.A., director and general manager, Woolwich Equitable Building Society Ltd; and Mr K. S. Ryle, M.C., F.C.A., financial and administrative secretary, Church Commissioners.

The O.B.E. has been awarded to Mr J. Cowan, C.A.,

assistant accountant-general, Ministry of Defence; Mr R. A. Newbery, M.A., F.C.A., senior partner in the firm of Newbery & Co, Chartered Accountants, of Istanbul, Turkey, and to Mr J. D. Stewart, C.A., secretary, Wylie & Lockhead Ltd.

## **SCOTTISH INSTITUTE'S APPRENTICESHIP GUIDE**

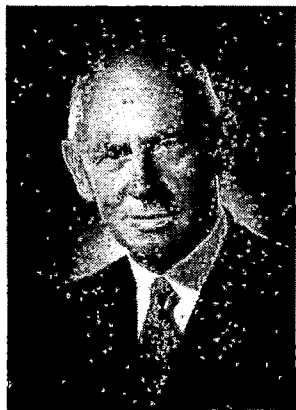
THE new edition of the *C.A. Apprenticeship Guide* just published by The Institute of Chartered Accountants of Scotland contains some important changes and new material. Class certificates for prescribed classes in law and economics for the session 1964-65 onwards will be valid for one year only instead of for two. In consequence, there are considerable revisions regarding compulsory re-attendances at these classes in certain instances and consequent loss of time counted as good service under indenture. Changes in the conditions of entry for Part III (A) and Part III (B) exempting examinations and for Part IV of the Institute's examination are announced. The main alteration is that it will not normally be possible to enter for Part IV in the same year as Part III. The syllabus for Part III (A) of the examination is being enlarged, as from 1965, to include questions on the laws governing hire and hire-purchase, agency and cautionary obligations.

To help principals (or masters as they are termed in Scotland), the Institute has prepared a pro forma for use under the Contracts of Employment Act, 1963, in extension of the terms of an indenture. Another useful aid is in the form of a tear-off page which prospective apprentices may complete and send to the secretariat of the Institute in order to ascertain if their preliminary qualifications are acceptable.

Copies of the new edition of the *Guide* are being sent to all apprentices, to members who take apprentices, and to schools, universities and other educational establishments. Any other interested party may obtain one, free of charge, on application to the Institute at 27 Queen Street, Edinburgh 2, or to any local secretary of the Institute.

### MUNICIPAL TREASURERS' NEW PRESIDENT

MR I. M. COWAN, M.B.E., F.S.A.A., F.I.M.T.A., Borough Treasurer of Eastbourne, was installed as President of The Institute of Municipal Treasurers and Accountants last Friday at the annual conference of the Institute held in Bournemouth.



Mr I. M. Cowan

Mr Cowan, who was born in 1904, was admitted to membership of the former Society of Incorporated Accountants in 1930 and to The Institute of Municipal Treasurers and Accountants in 1926. He commenced his career in local government in 1921 as an accountancy assistant in the office of

the City Treasurer of Carlisle. From 1925-28 he was principal accountancy assistant in the Borough Treasurer's department at Scarborough, after which, until 1930, he served as chief audit assistant to the Borough Treasurer of Wolverhampton. Mr Cowan was appointed Deputy Borough Treasurer of Wigan in 1930, and in 1932 became Borough Treasurer of Bournemouth. Five years later he was appointed Borough Treasurer of Margate and in 1944 he took up his present post. He was awarded the M.B.E. in 1941 for his work in leading the negotiations for special financial assistance for South-east coastal resorts during the Second World War.

A founder member and first secretary of the Institute's North-Western Branch, Mr Cowan has served as President of the Institute's London Students' Society and as Chairman of the Metropolitan and Home Counties Branch. He has been an honorary examiner for the Institute for a number of years and since 1956 a member of the Council of the Institute.

The new Vice-President of the Institute is Mr Herbert Keeling, F.I.M.T.A., of Worthing.

### SIGNING ON FEE NOT TAXABLE

THE Court of Appeal has held that a 'once-for-all' signing on fee of £3,000 paid by a Rugby League club to induce an amateur to join the club as a professional is not an emolument of his employment with the club, and accordingly is not chargeable to income tax. The Court thus reversed the decision of Pennycuik, J., in *Jarrold v. Boustead* (42 A.T.C. 518) and restored the Special Commissioners' decision in the taxpayer's favour. Moreover the Court refused leave to the Inland Revenue to appeal to the House of Lords.

The Master of the Rolls said (according to *The Times* of June 10th) that Mr Boustead could never return to amateur football nor could he take part in amateur athletics. Further, it was found as a fact that, on becoming a professional he found some degree of social discrimination against him by some people. He could not visit Rugby Union clubs and if he were discovered as a spectator he might be asked to leave. The Commissioners were fully entitled to come to the conclusion that they reached. The Commissioners had not erred and therefore the taxpayer's appeal from the High Court must be allowed with costs.

It is still open to the Crown to persuade the House of Lords itself to give leave to appeal.

### N.I.C. ON WAGE DRIFT

THE engineering industries contribute rather more than a half of the United Kingdom visible exports. It is hardly surprising therefore that any wage award in that industry should be viewed by the Government with interest and even concern. When the terms of the wages settlement in the engineering and shipbuilding industries was announced in December last year, the Chancellor of the Exchequer considered that it was in the national interest that the National Incomes Commission should examine their possible consequences.

The recent interim report from N.I.C.<sup>1</sup> makes it clear that the Chancellor's concern was fully justified, not so much on account of the actual increases negotiated at the national level, but because the resultant 'wage drift' would generate rather higher increases. The term 'wage drift' relates to conditions of overfull employment when employers are prepared to pay labour a premium over and above basic rates in order to attract the labour they need. The premium may take the form of bonuses, fringe benefits, and special rates for particular jobs. The prevalence of such practices, like the irrelevance of the national basic rates, is demonstrated by the fact that 'very, very few' workers were on ordinary time rates only. In other words, as the interim report makes clear, it is impossible to evaluate the implications of wage awards based on national agreements without full knowledge of local variations and supplementation. Since the

<sup>1</sup> Report No. 4 (Interim) National Incomes Commission. Cmnd 2380.

engineering industries' wage agreement is shortly to be discussed, the N.I.C., not unreasonably, felt constrained to produce this interim report in order that public interest could be awakened to the relevant facts.

As Mr Frank Cousins has made clear, this latest intervention by N.I.C. has annoyed the unions which, as the report reveals, have once again refused to participate in the hearings held by N.I.C. No doubt the intention of organized labour is to see N.I.C. go the way of the 'Three Wise Men', who were so unwise as to trespass on to labour matters. It would be the negation of responsibility if this, or any future Government, were to abandon N.I.C. without substituting some effective incomes policy. It is idle to pretend that any system which puts public interest before the unions' is likely to be popular with organized labour. For the moment, however, the public can at least hope to inform itself as to what does go on, both in the field of wage negotiation and restrictive practices, as long as an independent body is prepared to act as watchdog.

## INDUSTRIAL TRENDS

**A**LTHOUGH economists dispute the present state of the economy and the stock-markets continue to drift towards the General Election, industry is currently enjoying, as Mr Maudling reported last Friday to the annual conference of The Institute of Municipal Treasurers and Accountants, a considerable boom. This at least seems to be the main lesson to be drawn from the recent industrial trends inquiry undertaken by the Federation of British Industries among a sample of its members. Sixty per cent of the respondent firms report that output has risen during the past four months. A similar percentage report that they are working at full capacity and nearly all of them have enjoyed a rise in rate of orders.

Inevitably, comparisons have been drawn between the present situation and that which prevailed in 1960 when the inflationary pressure culminated in severe balance of payments problems. The current pace of expansion is more rapid than it was then; there is a similar shortage of skilled labour which



Our photograph shows the stand of Gee & Co (Publishers) Ltd at the World Book Fair held at Earl's Court, London, during the past ten days. The Fair, sponsored by the Publishers' Association, was opened by The Queen on June 10th, and ends today (Saturday). Visitors have been treated to a magnificent display of books, impressively presented, and covering the widest variety of subjects.

some firms, like Mr Maudling, believe will be a limiting factor in the expansion. Yet the most serious of the potential limiting forces remains the lack of substantial orders. There are reasons for believing that Mr Maudling and his advisers have judged the situation rather better than some of their critics, but time alone will tell. In his address to the Municipal Treasurers, the Chancellor stressed the substantial reserves and the strength of overseas sterling which should protect the pound from autumnal strains.

One of the more gratifying features of the present boom is the evidence of rising capital expenditure in the private sector of industry. Forty per cent of the F.B.I. reporting firms expect to authorize more capital expenditure on plant during the coming year,

while some 30 per cent will spend more on buildings. A similar degree of optimism is evident in respect of export orders, a number of firms reporting increased orders during recent months. Nevertheless, costs remain a matter for concern and some sixty per cent of the respondent firms believe that prices, more than any other factor, may militate against the continuing expansion of exports. In this respect, the continuing growth of the European Free Trade Area as a market for British goods is a matter for considerable satisfaction. United Kingdom exporters are also expecting to send more to the European Economic Community. It is to be hoped that these predictions will be fulfilled, not least since an increase in United Kingdom exports is the *sine qua non* of continuing prosperity.

## This is My Life . . .

by An Industrious Accountant

### CHAPTER 229

WE'VE had some trouble in our recent efforts at predicting the future. The biggest headache stemmed from our half-yearly sales and gross profits forecast for 1964 (second half). I began to experience a strong fellow-feeling for the poet who wanted to forsake the world and find peace in a small cabin of clay and wattles made, and to live alone in the beeloud glade.

It started when we appointed a bright young assistant to our fat departmental accountant, in whom inertia ('hasn't it been done well enough that way for years past?') is now liable to reach the point of no return. One day it won't be a case of going too far, but of not going far enough. However, the bright young assistant was designed to provide the spur. He's one of these graduate types, of considerable ability, who'll make a right good accountant one day; meantime we eye with concealed alarm his rather artistic and ultra-modern tendencies.

His senior being temporarily indisposed with 'flu, the B.Y.A. prepared the aforementioned forecast for me. I observed it warily. The new colour of the cover with titling in flowing script instead of block letters, the scalloped edging, all these were acceptable. I opened it at random at a page headed: 'Men's Overcoat Department'. Here was the first shock.

In the past we used to cram this sort of page with concise comparative figures, gross turnover, percentages, etc. Now it bore in its centre, in lonely splendour, two short incisive paragraphs, impactful and provocative . . . 'the decline in men's overcoating sales (heavy, medium, and rainwear) reflects continental percentage trends (see appendix 2.7.3) and justifies

special promotional turnover stimulation (see schedule 1.04) . . .'

I admit to preaching continually to junior staff the vitally essential role of the shrewd interpretative comment, as far as possible, but not to this extent.

However, to be fair to the B.Y.A., I endeavoured to refer to appendix 2.7.3. for elucidation, but it wasn't as simple as it sounded. His indexing system is enough to make a philosopher gibber. Not for him the orthodox simplicity of numbering his pages from one to thirty-four. He starts on page 0.01, then 0.02, then 1.01. His paragraphs are worse, if possible. After some little confusion among the appendices, I passed over the booklet and asked the B.Y.A. to find 2.7.3. for me.

He flicked through the pages with careless ease and handed back the forecast. 'You read it as if it were chapter two, section seven, paragraph three,' he explained airily. 'It's the new technique in numerical control reference, sir. I got it from a U.S. brochure on productivity; these top-level consultancy firms always index their reports like that.' I commended his initiative with a conscious effort and settled down to discussion; he knew his figures inside out and was quick to sense their implications . . . perhaps putting the appendices after each department's figures, instead of grouping them at the end, would be the answer. Perhaps he could learn to link-up his points. . . .

At this stage, I noticed the anticipated gross profit percentages. Every department was forecast a full 2 per cent over best previous experience; a query was indicated. 'Undoubtedly optimistic, sir,' said the B.Y.A. 'The board are pushing the sales drive hard; they won't stand for any less optimistic target. If we don't make the figures we can always blame the Election. Mean to say, sir, you can blame almost anything on an Election, the way the poll forecasts are going.'

I counted ten slowly while my blood pressure simmered down. Knave or fool? Naïve or slick? No matter, there's talent somewhere under the surface; it's my job to foster it.



# Finance and Commerce

## Richard Costain

THE 1963 accounts of Richard Costain Ltd, which form this week's reprint, have been reshaped this year. As the reprint shows, the balance sheet is cut back to essentials, and in the original, the accounts are on the left-hand side of a treble quarto opening, the right-hand quarto folding out to reveal the two pages of notes. In the profit and loss account a page of notes is opposite a page of account.

Sir Richard Costain, the chairman, says that the board gave 'considerable attention' to the account presentation and hopes that the new style 'has resulted in a more readily understood form'. The directors, however, 'consider that the diverse nature of the company's activities renders it virtually impossible to express the various types of turnover in common terms and are of the view that no real purpose would be served by attempting to include such figures in the accounts'.

There is, therefore, no turnover figure. Furthermore, Sir Richard, commenting on the Companies Act requirement for showing the amount of income from various types of investment, considers that 'this analysis of the profit is no longer of much value to the shareholders as the circumstances under which the group operates can materially affect the proportions of the profit which come from these various sources'.

## Joint Ventures

In recent years there has been a growing tendency for companies in the civil engineering industry to join together in carrying out large projects. Separate companies are often formed for this purpose and if the Richard Costain group's shareholding in such a company is not more than 50 per cent 'the appropriate share of the profit comes into the group profit and loss account as income from trade investments as and when the joint company declares dividends from the profits arising from these activities'.

Trade investments, it will be seen, were increased in 1963 from £410,508 to £499,121, but income from trade investments is down from £85,598 to £8,856 and some clearer comment on the divergence in the figures would have been helpful. Presumably it concerns the time-lag between the build up of capital in a joint venture company and the eventual return in dividend.

One of the major changes in the Costain profit and loss account is that group profits are no longer quoted before depreciation. The board, Sir Richard says, 'consider that the provision for depreciation and amortization which is shown as having been charged

before arriving at the group profit has ceased to have any real significance as it cannot include the charge for plant used on joint ventures or in associated companies'.

## Summary

Obviously the development of associated companies and joint venture companies in the civil engineering industry is a point which those concerned with the framing of the next Companies Act will have to consider. From the point of view of companies like Richard Costain, the joint venture is a necessary form of operation in an industry where contracts involve heavy finance and where they involve operating overseas. The Costain group, incidentally, aims at a fifty-fifty spread of business between home and overseas.

Included with the Costain accounts is a useful group financial summary which gives the view back over five years in terms of funds employed and employment of funds, and more usefully, in terms of profits and equity earnings.

Dividend, times covered, percentage earnings on equity capital employed and on ordinary share capital itself, and the net book value per share are statistically the stuff of investment analysis.

They would, however, mean more if the board could get round its problem of stating turnover and could provide a closer view of the trade investment position and of trade investment income.

## Side by Side

THERE is a useful little lesson in the niceties of layout in the accounts of J. H. Sankey & Son Ltd, the 'Sisalkraft' company. Mr Spencer P. Higgin, the chairman, draws shareholders' attention to the fact that a revised form has been adopted for the accounts. 'The columnar layout with comparatives in close proximity to the current figures will I am sure give you a clearer picture of the company's financial position and its growth during the year.'

The operative words, it may be suggested, are 'comparatives in close proximity to the current figures'. Ease of comparison demands that the things compared shall be in close proximity, no matter what they may be. The brain demands proximity and is inclined to go on strike if it doesn't get it. It refuses to come to a definite conclusion at first sight and wants to go back again for another comparison.

That is the main problem in providing comparative figures in accounts. They must be in close proximity. The more you separate them - by several inches of narrative, for instance - the less readily is their significance grasped. In this case, 1963 and 1962 figures are given side by side to the right of the narrative instead of having the narrative to separate them. These things may seem elementary but it is extraordinary to find how often some beautifully designed accounts fail to put the figures across because the elements of good, easy comparison have not been understood.



RICHARD COSTAIN LIMITED AND SUBSIDIARIES

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR YEAR ENDED  
31st DECEMBER, 1963**

	1963 Notes £	1962 £
<b>GROUP PROFIT BEFORE TAXATION</b>		
Less: Taxation	1 976,525 2 405,500	778,531 306,500
	571,025	472,031
Add: Proportion of Losses less Profits of Subsidiaries attributable to Shares acquired in the Year, relating to the period prior to acquisition	—	5,136
	571,025	477,167
Less: Net Profit attributable to outside interests in Subsidiaries	46,009	11,547
	525,016	465,620
<b>NET PROFIT ATTRIBUTABLE TO RICHARD COSTAIN LIMITED</b>	24,041	24,041
Less: Dividends on Preference Shares (less tax)	—	—
<b>NET PROFIT EARNED FOR ORDINARY SHAREHOLDERS</b>	4 500,975	441,579
Less: Dividends on Ordinary Shares (less tax)	69,152	58,372
Interim at the rate of 7 per cent. (1962—6 per cent.)	—	—
Proposed Final at the rate of 11 per cent. (1962—10 per cent.)	108,667	97,286
	177,819	155,658
<b>NET PROFIT RETAINED IN THE GROUP</b>	5 £323,156	£285,921

**Notes on Consolidated Profit and Loss Account**

**1. GROUP PROFIT BEFORE TAXATION**, includes balances of profits and losses on contracts completed prior to 1963 and the results of current contracts based on valuations by Officials of the Companies

The Group Profit is made up of:

	1963 £	1962 £
Trading Profit	963,680	691,705
Income from Investments: Trade Quoted	8,856	85,598
Other	3,882	524
	12,845	704
	£776,525	86,826
	202,792	169,965
	1,278,385	1,278,385
	29,308	28,222

and is arrived at after charging the following items:

Interest on Mortgages and Fixed Loans	202,792
Provision for Depreciation and Amortisation	1,278,385
Auditors' Remuneration	29,308
Remuneration of Directors of the Parent Company:	105,388
Emoluments and Contributions to Pension Schemes	2,000
Pensions in respect of past Directors	—
Directors' Fees	—
	107,388

**2. TAXATION**, based on Profits for the year (see also Note 4 on Page 1796)

Profits Tax	13,500
Income Tax	5,000
Overseas Taxation	318,000
	336,500
Adjustments in respect of prior years	69,000
	£405,500

The benefit derived from Investment Allowances and taken into account in arriving at the taxation liability on the profits for the year is approximately £185,000 (1962—£85,000).

**3. NET PROFIT ATTRIBUTABLE TO RICHARD COSTAIN LIMITED** has been dealt with as follows:

Profits less Losses retained by Subsidiaries	302,795
Dealt with in the accounts of Richard Costain Limited	222,221
	£525,016

**4. DIVIDENDS**, 110,255 Ordinary Shares of 5/- each, issued on 13th July, 1963, rank for Dividend from date of issue.

**5. NET PROFIT RETAINED IN THE GROUP**, has been dealt with in the accounts as follows:

Increase in Profit and Loss Account balances:	20,361
Richard Costain Limited	302,795
Subsidiaries	£323,156

**CONSOLIDATED BALANCE SHEET AS AT 31st DECEMBER, 1963**

	1963	1962
	£	£
<b>FUNDS EMPLOYED</b>		
ORDINARY SHARE CAPITAL		
CAPITAL RESERVES		
REVENUE RESERVES		
Notes		
1	1,627,451	1,599,887
2	3,066,153	3,014,590
3	2,515,216	2,174,116
Ordinary Shareholders' Funds		
PREFERENCE SHARE CAPITAL	7,208,820	6,788,593
OUTSIDE SHAREHOLDERS, Interest in Subsidiaries	700,000	700,000
LONG TERM MORTGAGES AND LOANS—Secured £2,464,645 (1962 £1,991,330)	200,311	265,667
	2,532,145	2,081,330
Long Term Funds		
4	10,641,276	9,835,590
FUTURE TAXATION	591,563	358,363
SHORT TERM LOANS—Secured £1,606,784 (1962 £1,421,044)	1,606,784	1,509,318
BANK OVERDRAFTS—Secured £2,265,199 (1962 £2,501,352)	3,092,249	3,034,475
OTHER LIABILITIES	7,042,800	7,306,847
	<u>£22,974,672</u>	<u>£22,044,593</u>
<b>EMPLOYMENT OF FUNDS</b>		
FIXED ASSETS		
INVESTMENTS		
6	7,360,357	7,366,333
7	1,763,321	1,352,995
Long Term Assets		
8	9,123,678	8,719,328
	13,850,994	13,325,265
CURRENT ASSETS		
	<u>£22,974,672</u>	<u>£22,044,593</u>
<b>I. SHARE CAPITAL of Richard Costain Limited</b>		
Ordinary Shares of 5/- each, fully paid		
6% 'A' Cumulative Preference Shares of £1 each, fully paid		
5½% 'B' Cumulative Preference Shares of £1 each, fully paid		
Authorised £	2,000,000	1,627,451
Issued £	150,000	150,000
	550,000	550,000
	<u>£2,700,000</u>	<u>£2,327,451</u>
<b>2. RECONCILIATION OF CAPITAL RESERVES</b>		
GENERAL RESERVE		
Balance at 31st December, 1962		1,867,408
Less: Taxation on surplus transferred to Capital Reserve in prior years		60,941
		<u>1,806,467</u>
Add: Surplus on disposal of Subsidiary	60,453	
Surplus on disposal of Assets	20,321	
Sundry Adjustments	9,492	
	<u>90,266</u>	
Less: Written off Trade Investments	60,453	
		<u>29,813</u>
		<u>1,836,280</u>
<b>SHARE PREMIUM ACCOUNT</b>		
Balance at 31st December, 1962		1,147,182
Add: Premium on 110,255 Ordinary Shares of 5/- each, fully paid, issued 13th July, 1963		82,691
		<u>1,229,873</u>
		<u>£3,066,153</u>

R. R. COSTAIN } Directors  
 NETHERTHORPE }

## Notes on Consolidated Balance Sheet

	1963 £	1962 £
<b>3. RECONCILIATION OF REVENUE RESERVES</b>		
PROFIT AND LOSS ACCOUNT		
Balance at 31st December, 1962	1,794,116	410,508
Less: Balance attributable to Subsidiary disposed of during the year	33,973	11,017
	<u>1,760,143</u>	<u>58,682</u>
Add: Surplus arising from Insurance claim on Dredger "Barbados"	51,917	54,152
Profits retained for the year to 31st December, 1963:		
Parent Company	20,361	332,083
Subsidiaries	<u>302,795</u>	<u>486,553</u>
		<u>£1,352,995</u>
<b>GENERAL RESERVE</b>		
<b>OVERSEAS DEVELOPMENT RESERVE</b>		
	323,156	
	<u>2,135,216</u>	
	280,000	
	<u>100,000</u>	
	<u>£2,515,216</u>	
<b>4. TAXATION</b>		
A further liability to United Kingdom taxation would arise in respect of profits included in the Group Profit and Loss Account if remitted to the United Kingdom by Overseas Subsidiaries or if distributed by Subsidiaries qualifying as Overseas Trade Corporations. The amount set aside for Future Taxation includes £126,000 to cover tax deferred by Capital Allowances.		
		8,434,258
<b>5. OTHER LIABILITIES</b>		
Sundry Creditors, Accrued Charges and Provisions	6,403,537	412,849
Amounts due to Joint Ventures	139,471	
Current Taxation	321,973	4,061,726
Dividends due and proposed	<u>177,819</u>	<u>49,544</u>
	<u>£7,042,800</u>	<u>366,888</u>
		<u>£13,325,265</u>
<b>6. FIXED ASSETS</b>		
Freehold Properties at Cost	3,633,664	
Less: Amounts written off	<u>292,309</u>	
	<u>3,341,355</u>	
Leasehold Properties at Cost	1,247,959	
Less: Amounts written off	<u>416,992</u>	
	<u>830,967</u>	
	<u>4,172,322</u>	
Plant, Motor Vehicles, Furniture and Fittings at Cost or Valuation	8,261,076	
Less: Amounts written off	<u>4,670,743</u>	
	<u>3,590,333</u>	
Less: Hire Purchase Instalments Outstanding	<u>402,298</u>	
	<u>£7,360,357</u>	
<b>7. INVESTMENTS</b>		
Trade Investments including Application for Shares at Cost, less Provisions	499,121	
Quoted Investments	—	
Other Investments at Cost, less Provisions	70,332	
Sinking Funds	60,839	
Loan to Trustees of Senior Staff Shareholding Scheme	377,645	
Sundry Loans, less Provisions, Life Policy and Building Society Deposits	<u>755,384</u>	
	<u>£1,763,321</u>	
<b>8. CURRENT ASSETS</b>		
Balances on Contracts in Progress as valued by Officials of the Companies, Retention Monies and Sundry Debtors, less Provisions	7,271,419	
Interest in Joint Ventures	1,152,160	
Stock and Work-in-Progress as valued by Officials of the Companies	4,340,251	
Local Government Loans and Treasury Bills	415,000	
Balances at Bankers and Cash in Hand	<u>672,164</u>	
	<u>£13,850,994</u>	
<b>9. SUBSIDIARIES</b>		
The Accounts of certain Subsidiaries are made up to 30th September or 31st October, 1963. In the opinion of the Directors there would be undue delay in the presentation of the Group Accounts if their financial years were made co-terminous with that of the Parent Company. These different accounting dates give rise to a net difference in inter-company indebtedness amounting to £94,251 which has been included with Sundry Creditors.		
The Accounts of Overseas Companies and of Overseas Contracts of United Kingdom Companies have been prepared in local currencies and for the purpose of the Group Accounts have been converted at the rate of exchange ruling at the date of acquisition in the case of Freehold Property and Trade Investments; other assets and liabilities have been converted at the rate of exchange ruling at the end of the Companies' financial years.		
<b>10. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES</b>		
(a) Outstanding Commitments for Capital Expenditure amount to	£1,039,000	£155,000
(b) Contingent Liabilities:		
(i) Under guarantees of Bank Overdrafts and Loans to Associated Companies and Joint Ventures amount to	£353,000	£306,000
(ii) In respect of the Creditors of the Joint Ventures the book value of the assets of the Joint Ventures exceeds this liability.		
(iii) On uncalled Capital on Investments amount to	£367,600	£374,000

## CITY NOTES

**W**ILLING to back economic against political prospects, tentative buyers have returned to the equity markets. Prices have risen in thin market conditions in which movements have tended to exaggerate the amount of support received.

Against the firmer trend in equities the gilt-edged market has sunk further, with the authorities still disinclined to do anything other than allow the market to find its own level.

The equity rally owes much to the continued announcement of higher industrial profits and dividends and also to the prevalent take-over fever which is bringing hopeful support for shares which, if the imagination is stretched far enough, can be considered on the list of take-over or merger possibilities.

Business in equities is still extremely selective and to a considerable degree professional. Institutional investors show no marked inclination to buy at present levels.

The result of this small and scattered demand in the equity sections, however, is that *The Financial Times* industrial share index has risen some twelve points from its recent low level. The 'sideways' movement in equities which has been in evidence for more than six months therefore continues.

**C**COURTAULDS and Imperial Chemical Industries are now taking the necessary steps to put into operation the scheme under which I.C.I.'s equity stake in Courtaulds is cancelled and Courtaulds 50 per cent stake in British Nylon Spinners is handed over to I.C.I.

The two groups are now direct competitors in nylon development—Courtaulds in Nylon 6 and I.C.I., through British Nylon Spinners, in Nylon 66. Courtaulds have admitted that expansion in nylon

production will almost certainly lead to over-capacity in the industry.

The probability of nylon price reductions has been taken into account in Courtaulds' development calculations and, although suggestions of a nylon price war may prove exaggerated, it is clear that competition in nylon is going to become intense.

**T**HE breakdown in merger negotiations between the Rank Organisation and the Mecca company was hardly a surprise for the City. Mecca had already turned down an offer from Rank worth well over £30 million and it was hardly believed that Rank would be prepared to step up their price to any considerable extent beyond that level. The Mecca board is now left to justify the rejection of the terms which, the impression is, were not considered attractive enough to holders of Mecca's non-voting 'A' shares.

**T**HE deliberations by the banks on the question of Saturday closing are still going on without, apparently, any firm decision in the offing. Late opening on Friday as an alternative for closing on Saturday is not a point that appeals to bank staffs and probably not to customers either.

One of the main problems is that of attempting to wean customers away from the suburban Saturday banking habit and putting the banking emphasis on branches near the customer's employment rather than near his home.

**T**HE insurance companies continue to make long-term high coupon loan agreements with property development companies. The Standard Life Assurance has made a £15 million finance arrangement with City Wall Properties and the Prudential Assurance a £5 million scheme with Chesterfield Properties.

## RATES AND PRICES

Closing prices, Wednesday, June 17th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79½	Frankfurt	11.10½
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02½	Milan	1746½
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.11½	Oslo	19.98½
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.32½	Paris	13.69½
				Copenhagen	19.30½	Zürich	12.05
Treasury Bills				Gilt-edged			
April 10	£4 6s 0.25d%	May 15	£4 7s 3.60d%	Consols 4%	64½	Funding 3% 59-69	90½
April 17	£4 6s 0.41d%	May 22	£4 7s 8.75d%	Consols 2½%	40½	Savings 3% 60-70	87½
April 24	£4 6s 0.47d%	May 29	£4 7s 6.17d%	Conversion 5% 1972	105½	Savings 3% 65-75	79
May 1	£4 5s 11.91d%	June 5	£4 8s 6.92d%	Conv'sion 5½% 1974	97½	Savings 2½% 64-67	92½
May 8	£4 5s 11.47d%	June 12	£4 8s 8.49d%	Conversion 5% 1971	97	Treas'ry 5½% 2008-12	90½
Money Rates				Conversion 3½% 1969	91½	Treasury 5% 86-89	87
Day to day	3½-4½%	Bank Bills		Conversion 3½%	56½	Treasury 3½% 77-80	75½
7 days	3½-4½%	2 months	4½-4½%	Funding 5½% 82-84	94½	Treasury 3½% 79-81	76½
Fine Trade Bills		3 months	4½-4½%	Funding 4% 60-90	93½	Treasury 2½%	40½
3 months	5½-6½%	4 months	4½-4½%	Funding 3½% 99-04	62½	Victory 4%	97½
4 months	5½-6½%	6 months	4½-4½%	Funding 3% 66-68	90½	War Loan 3½%	55½
6 months	6-7%						

# Taxation Cases

Full reports of the cases summarized in this column will be published, with Notes on the judgments, in the 'Annotated Tax Cases'.

## C.I.R. v. McNaught's Executors

In the Court of Session – May 13th, 1964

(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT, Lord GUTHRIE and Lord MIGDALE)

*Surtax – Ship-owning company – Loss of ships – Policy money received – Repurchase fund account credited therewith and also with Revenue receipts – Transfer to capital appreciation reserve – Distribution to shareholders thereout – Whether a capital distribution.*

In 1943 and in 1946 a ship-owning company lost two of its ships, and received the policy money and credited the sums to a repurchase fund account. In 1947 the directors decided not to replace the two ships, and they directed that £50,000 should be transferred from the repurchase fund account to a capital appreciation reserve with the object of making capital distributions to the shareholders. The directors were aware (as was admitted) that there was at least £50,000 of capital surpluses in the last-mentioned account. From time to time distributions to the shareholders were made out of the capital appreciation account, the first payment being made in 1954 in pursuance of a resolution of March 26th in that year:

'It was agreed to pay £10,000 to members out of the capital appreciation reserve, which would leave £20,000 in that reserve. The managers were instructed to pay this as soon as possible to members at the rate of £1 per share.'

Similar resolutions were passed in 1955 and 1956. In sending the cheques to the shareholders the managers stated that the sums were distributed 'out of surplus moneys arising from the realization of capital assets'; and that the amount was exempt from taxation, and should not be included in the shareholder's return for either income tax or surtax. The deceased had received one of these sums.

It was contended on behalf of the appellants that although the company had sufficient capital money out of which to make the distributions to the shareholders, the distributions were not specifically in fact made out of such receipts, because the repurchase fund account included non-capital items, some of which, it was contended, were reflected in the capital appreciation account. It was contended on behalf of the respondent that as the amount of capital money in the capital appreciation account was

more than sufficient to cover the sums distributed to the shareholders, the distributions should be treated as having been made out of those items. The Special Commissioners decided in favour of the respondents.

*Held:* the Special Commissioners' decision was correct.

## Lindsay v. C.I.R.

In the Court of Session – May 14th, 1964

(Before THE LORD PRESIDENT (Lord CLYDE), Lord CARMONT, Lord GUTHRIE and Lord MIGDALE)

*Income tax – Salaried consultant radiologist – Lectures to students – Fees payable to hospital board – Fees paid by board to him – Whether tax deductible under P.A.Y.E. – Income Tax Act, 1952, section 157 – Income tax (Employments) Regulations 1962 (No. 1003 regulation 6).*

The appellant, a whole-time consultant radiologist at a teaching hospital, received a salary, and was taxed thereon under the Income Tax (Employment) Regulations, 1962. In addition to his work as a consultant radiologist the appellant gave lectures to students at the hospital. Fees were payable by the students for these lectures to the hospital board, and the board paid fees to the appellant for giving the lectures. In paying these fees the board deducted tax under P.A.Y.E.

The appellant contended that the fees he received for giving lectures were not emoluments of his office as consultant radiologist, and that the fees should have been assessed under Schedule D. The General Commissioners rejected this contention, and decided that the appellant was correctly charged to tax under Schedule E and the regulations.

*Held:* the General Commissioners' decision was correct.

## C.I.R. v. Bates

In the High Court of Justice (Chancery Division) – May 15th, 1964

(Before Mr Justice PLOWMAN)

*Surtax – Settlement – Trust Fund – Shares in company – Payment by company to settlor – Whether capital sum – Whether company connected with the settlement – Whether earlier payment deductible – Income Tax Act, 1952, sections 408, 411 (4).*

In 1948 the respondent made a settlement for the benefit of his three infant daughters, and the trust fund consisted of shares in a company. One-third of the settlement income was to be accumulated for each daughter until she attained the age of 26, when one-third of the capital, and the accumulations of her share of income, were to be paid to her. The company was a controlled company within section 245 of the Income Tax Act, 1952, but it was not an investment company within section 262.

On April 4th, 1952, the company paid £8,568 to the respondent. On April 9th, 1953, the company paid him £10,100 and on April 3rd, 1954, the company paid him £9,100. It was common ground that all three of these sums were capital sums within section 408. The appellant was assessed to surtax for 1953-54, 1954-55 and 1955-56 on the basis that the sums paid to him had to be treated as a part of his income by virtue of section 408 of the 1952 Act, in that they had been paid to him by the company, and the company was a body corporate connected with the settlement as defined in section 411 (4) of the Act.

It was contended on behalf of the respondent that the company was not a body corporate connected with the settlement in the years under appeal, because

none of its income had been apportioned to the trustees or to a beneficiary under the settlement and none could have been so apportioned, even if the company's income had not been distributed, since an apportionment was not possible unless and until a direction under section 245 was made.

It was also contended on behalf of the respondent that, in computing the amount of any assessment for any of the years under appeal, the sum of £8,536, which had been paid to him by the company in 1951-52, should be deducted pursuant to section 408 (2) (a). The Special Commissioners decided in favour of the respondent.

*Held:* the Special Commissioners' decision was correct.

## Correspondence

*Letters must be authenticated by the name and address of the writer, not necessarily for publication. The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

### Costing of Government Contracts

SIR, - I was interested in the article on the 'Costing of Government Defence Contracts' in your issue dated May 30th, particularly with reference to the incentive type of target cost contract, as an article by myself on this method of pricing Government defence contracts was published in *The Accountant* in February 1942, entitled 'Put Management on an Incentive Plan'.

At that time the volume of defence work was very large and the output of practically all factories was against Government orders. It would have been a comparatively simple matter to have settled the contracts on a bulk basis, using only two types of contract:

- (a) For research and development on actual cost plus a fixed fee.
- (b) For production on target cost incentive.

Indeed, the correct allocation of direct costs to the various contracts would not have been of major significance, provided the margin of error was kept reasonably low, since the proportion of research and development work was relatively small, even in the aircraft industry, and incorrect allocations of cost between production contracts would have had no financial effect on the bulk settlement.

In those days, with excessive profits tax at 100 per cent, there was very little incentive for any manufacturer to keep his costs down and on the basis then adopted of ascertaining overheads, which seems to be perpetuated today, any wasteful (not disallowable) expenditure on one year became normal overheads in

the next, which were then added to the labour costs and on which a profit percentage was paid.

There would, no doubt, be more difficulties in settling contract prices on this bulk basis under present conditions, where some of the output is against civilian orders, and the allocation of direct costs to the various contracts would be of greater importance. There are, however, many more facilities for carrying out efficient costing than there were at the height of the war, and there is no doubt that there should be some change in the present out-of-date methods of contract pricing by the Government departments concerned.

Yours faithfully,

Cardiff. W. W. WILLIAMS, F.C.A., F.C.W.A.

SIR, - I cannot let pass the comments by your contributor, Mr K. Hartley on page 686 of your issue of May 30th. Three times he appears to accept the 'Actual cost' statement of Ferranti's profits as being correct, stating, for example, that it represents a return of 113 per cent on capital employed.

One assumes that since he is not an accountant he is unaware of the pitfalls regarding overhead recovery.

Profit can be described as the balance of gross margin remaining after all overheads are paid for. In the example given, Ferranti has estimated that if they recover £6,630,000 overheads they will be left with a profit of £770,000. The Ministry accepted this as a fact and everybody was happy. Ferranti gets the contract, which is a fixed price one. The Ministry pays over £11,770,000 and Ferranti wins or loses. To state now that because of some arbitrary method of price fixing, Ferranti's actual overheads were really some £3½ million less than expected is peculiar arithmetic.

What they were in fact nobody knows, perhaps not even Ferranti; but the nearest figure to reality is £6,630,000 - the figure they said originally it would cost and the figure the Ministry agreed to reimburse. We must therefore re-write the actual profit statement.

Materials	£3,569,000
Labour	574,000
Overheads	6,633,000
Profit	994,000 = 9½ per cent on prime cost; not 63 per cent
	<hr/> £11,770,000 <hr/>

What is clouding the issue is the assumption that because the Ministry accountants have decided to reimburse overheads by a percentage added to direct wages, once these wages are known, an arithmetical calculation will tell anyone what the overheads of any contractor in that instance really did cost. Would that oncost recoveries were so simple!

The modern trend in the contracting business is – certainly at tender stage – to lump overheads and profit together and add a flat percentage on prime. On this basis Ferranti made 2 per cent extra over budget on the contract.

Why therefore the hue and cry? Was it malicious or merely ignorance? And what on earth has Ferranti's Public Relations Office been doing?

Yours faithfully,  
Fyfield, Essex. IAN McGLASHAN, C.A.

### Incomes Policy: Mirage or Reality?

SIR, – I hope you will be good enough to allow me the space to clear up some misconceptions which have arisen regarding my article 'Incomes Policy: Mirage or Reality' (May 16th issue) as demonstrated by the correspondence published in your issue of May 30th.

The writer's comments on the terms of trade were absolutely correct and his warning should be taken to heart. If the terms of trade had not swung in Britain's favour during the early part of the period 1952–62, we would most certainly have had a much greater balance of payments problem than we have today. As far as future prospects are concerned, current indicators seem to suggest that the phase of windfall gains from favourable movements in the terms of trade has ended. Britain will have to look elsewhere for remedies to her balance of payments problem.

The writer was also correct in pointing out that Britain's balance on current account has tended to fall over the last few years – drastically so throughout the early 1960s. It must be made clear, however, that this trend is not, as the writer inferred, due to cost-push inflation caused by rapidly rising wage costs.

As manufactured goods form quite a large proportion of Britain's exports, it will be profitable to analyse wage costs in relation to total costs in the manufacturing sector. Recent figures published in the *National Institute Economic Review* (February 1964: Table 22, statistical appendix), clearly indicate firstly, that the rate of increase in hourly earnings in manufacturing in the United Kingdom was well below the rates at which hourly earnings increased in the manufacturing sectors of other European industrial countries. But secondly, these figures show that output per hour in Britain's manufacturing sector

increased at a much slower rate than in the same sectors in other European industrial countries.

If the trend in manufacturing is anything to go by, two important conclusions can be drawn from the argument so far. The first is that increasing wage costs are not the cause of increasing export prices and the second is that increasing wage costs are not the cause of the decline in Britain's balance on current account.

Nevertheless, the facts must be faced. In spite of the slow increase in wage costs, export prices have been increasing at a much more rapid rate. Taken in the international context, British wage costs have been increasing at a slower rate than European wage costs, but the prices of manufactured exports from Europe have risen more slowly than Britain's manufactured export prices.

If Britain's declining annual surplus on current account is attributed to rising export prices, then I suggest that the remedy does not lie with an incomes policy. It reflects the need for a more concentrated effort on the development of technologically progressive techniques and the introduction of more advanced capital equipment. Too much obsolete machinery and too many antiquated high cost methods of production are still used in Britain. The immediate need is to increase productivity, not to halt the rise in incomes.

Yet even the solution of this 'productivity problem' will not necessarily guarantee the maintenance of Britain's share in world trade.

Professor Barna, of the University of Sussex, found that there was a slight tendency for Britain to concentrate on the export of those goods, the demand for which is increasing relatively slowly. This tendency he found to be particularly marked in the export of machinery. The National Economic Development Council also raised the question of Britain's export markets. The system of preferential treatment which, in the past, was given to Britain's exports by many sterling area and Commonwealth countries is gradually crumbling. These countries, and especially the newly independent nations, are turning elsewhere for more of their imports. Therefore, in the short period at least, Britain's share of these markets is likely to be drastically reduced.

Finally, there is a strong body of opinion which feels that many British exports are deficient in both design and quality. Also grave doubts have been cast on the standard of British salesmanship.

To summarize, therefore, the declining surplus on Britain's current account cannot be checked by the imposition of a successful incomes policy (if one exists), but requires an immediate and great increase in productivity, accompanied by an intensification of competition at home and abroad. The situation may also be improved by a shift in the general direction of trade towards faster growing markets and similarly into goods for which demand is increasing relatively rapidly.

In conclusion I hope that my anonymous commentator will now understand why I did not dwell

on the problems related to the current account situation in my article, but rather emphasized the dangers inherent in Britain's current policy reflected in her capital account.

Hull.

Yours faithfully,  
JOHN HAYES.

### The Science of Price-fixing

SIR, - I was delighted to see that Mr Griffiths (June 6th issue) is as worried about using the techniques of the differential calculus for economic studies as I am. By the same token economists ought not to draw curves or lines of any sort, as these are continuous and are not the collection of dots which is the reality.

I salute everyone's very high class algebra, which is well over my head. But may I ask why it always appears to be assumed that the elasticity of demand is constant at a given price? If it isn't, it looks as if the formulae are going to be very much more complex.

Since the commercial scene is never still, and almost from moment to moment new substitutes appear changing both the demand and the demand elasticity for all existing products, do we not run the risk that, by the time we have carried out all the highly sophisticated operations which the economists tell us we should carry out, the position will have changed beyond all recognition?

*Anglice*, is all this really of any practical use? And, even if it is, can we ever prove it? We cannot, after

all, fix the price at two different levels and see what happens; all that we can do is to convince ourselves in one way or another that we should do A. and not do B. - but we can never know what would have happened if we had done B. instead.

Yours sincerely,  
D. R. C. HALFORD.  
London SW1.

### Sherlock Holmes and the City

SIR, - During the Festival of the City of London which covers the period July 6th to 18th, walks are being organized on two evenings (July 7th and 16th) by The Sherlock Holmes Society of London and The Victorian Society to places and sites associated with Holmes and the Forsytes (*Forsyte Saga*) in the City.

In view of the close association of Sherlock Holmes with the accountancy profession (*vide* 'The Case of The Stockbroker's Clerk') and the even closer association of his remarkable brother, Mycroft, the doyen of management accountancy (*vide* 'The Case of The Greek Interpreter'), I felt your readers might like to know of these events.

Those interested may obtain further particulars from the Festival Office at Guildhall.

Yours sincerely,  
C. O. MERRIMAN, F.C.A.  
*Chairman,*

SHERLOCK HOLMES SOCIETY OF  
LONDON.

London EC2.

## THE INSTITUTE OF MUNICIPAL TREASURERS AND ACCOUNTANTS

### SEVENTY-NINTH ANNUAL CONFERENCE

THE seventy-ninth annual conference of The Institute of Municipal Treasurers and Accountants was held on Wednesday, Thursday and Friday of last week in the Winter Gardens, Bournemouth, and was attended by some one thousand six hundred members and delegates.

Following the official opening of the conference, members considered Part A of the Council's Report for 1963-64 and prizes were presented in respect of the Institute's examinations held in 1963. The retiring President of the Institute, Mr G. C. Jones, F.C.A., F.I.M.T.A., then addressed the conference on 'The independence of the treasurer'. In the afternoon, Mr R. G. Morgan, B.COM., F.I.M.T.A., spoke on 'Some

financial implications of local government reorganization'.

On Thursday, the annual general meeting of the Institute took place in the morning and in the afternoon the conference was addressed by Professor Colin Buchanan, B.SC., M.T.P.I., A.M.I.C.E., A.R.I.B.A., on the effect on local authorities of his recent report *Traffic in Towns*.

The Chancellor of the Exchequer, Mr Reginald Maudling, addressed the conference on Friday morning, referring to Britain's economic position. Following the Chancellor's address, the investiture of the new President (referred to in a 'Weekly Note' elsewhere in this issue) took place.

### Extracts from the Report of the Council

#### Impact of Rates Inquiry

During 1963, the Minister of Housing and Local Government and the Secretary of State for Scotland appointed a committee under the chairmanship of Professor R. G. D. Allen, C.B.E. Its terms of reference were to assess the impact of rates on households in different income groups in different parts of Great Britain, with special regard to any circumstances likely to give rise to hardship. Sir Herbert Pollard, C.B.E., is a member of the committee.

The Institute submitted evidence to the committee, based upon a report from the Local Taxation Specialist Panel, who had collected, by means of a questionnaire, information from 149 local authorities covering almost 4,200,000 domestic hereditaments and representing 29 per cent of the total for England and Wales.

The Panel's report to the Council analysed the number of hardship cases returned by the chief financial officers concerned, contained a discussion of the causes of hardship



and a review of the problems of holding fairly the balance between different areas and different individuals. It included suggestions for making rate payment more convenient and submitted proposals for instalment collection, including arrangements with building societies, insurance companies and property owners.

In its memorandum, which included the panel's report, the Institute suggested that it was a matter of public policy to decide whether any change should be made in the current practice of regarding rates as an essential expense which every householder should meet directly unless qualifying for national assistance.

There is a case, says the Institute, for ensuring that rates, being a tax, should not result in households having a standard of living substantially lower than that of the great majority of people, and for this purpose, hardship may be defined as 'a state in which the ratepayer has to forgo conventional necessities in order to meet his rate liability.'

The Institute made a number of suggestions for consideration in dealing with hardship cases. The Allen Committee also asked the Institute to obtain information about the position in Scotland, and on advice from the Scottish Branch, the Committee was informed that the Scottish situation was very different from that in England and Wales, as Scottish authorities have powers to write off rates on grounds of inability to pay, as well as on grounds of poverty. A survey carried out by the Scottish Branch indicated that the rate burden on householders in Scotland was substantially greater than it is in England and Wales.

#### Rating (Interim Relief) Act

When the new Valuation Lists came into operation on April 1st, 1963, widespread allegations of hardship were made by domestic ratepayers. It was claimed that the revised assessments, based on current rental values, had transferred to dwelling-houses a substantial part of the liability previously falling on other classes of ratepayers. The strongest complaints came from health and pleasure resorts and those residential areas containing only a comparatively small proportion of industrial and commercial premises. Retired persons and others living on small, fixed incomes were said to be the worst affected.

In December 1963, the Rating (Interim Relief) Bill was laid before Parliament. The subsequent Rating (Interim Relief) Act, which does not apply to Scotland or Northern Ireland, provides Exchequer assistance to those rating areas containing a large number of elderly residents, and empowers all rating authorities to grant relief to residential occupiers whose rate burdens cause them to suffer hardship.

In calculating an authority's entitlement to rate deficiency grant both the relief granted to domestic ratepayers under the terms of section 2 and the corresponding Exchequer grant are to be disregarded. But the relief is to be treated as part of the loss on collection, and the grant received included in the gross rate income. The grants paid in respect of elderly persons are not linked with rate remission and some authorities will benefit even though no domestic ratepayers in the area can qualify for relief because the rise in rate liability falls short of the prescribed limits.

The amount of rates written off under the Act and the corresponding grants both influence the penny rate product, and it follows that the rate-borne part of remissions made by district councils is spread, by way of the county precept, throughout the administrative county. That could have important consequences where different authorities apply different criteria in assessing the measure of hardship. But the Minister has declined either to define hardship or prescribe scales thus making the rating authority the sole arbiter.

It is regrettable that a measure likely to have such a profound effect on the rate income should be laid before Parliament at a time when the district councils had already reported their estimated penny rate products for the following year to the counties: recalculations were therefore necessary, even before the Bill had been debated by either House. Further complications arose from the lack of

evidence about ratepayers' incomes, making it difficult to forecast either the number or the potential cost of the many claims which might be established.

#### Rating of Site Values

The Council has noted with interest the publication by the Rating and Valuation Association of the Report on the pilot survey on the rating of site values carried out at Whitstable. It is the first time in this country that a practical exercise on a large scale has been undertaken to assess the effects and implications of site value rating, and the report represents an important contribution to what is known on the subject.

The implications of any such change from the traditional system of rating are so considerable, however, that it could only, of necessity, be a political and economic decision by the Government of the day, taken after full examination not only of the broad effects but also its impact on individuals, in particular the change from liability on 'beneficial occupation' to 'site ownership'. The Council thinks that it should not be too readily assumed, on the basis of the Whitstable survey alone, that a change would result simply in an easing of the present ratepayers' burden without creating other major problems. Although, on the basis of the survey, domestic property as a group is shown as contributing a reduced proportion, there would also be a shift of impact between individuals as well as on to other groups, e.g. agricultural land (which is not rated under the present system, but could be), schools, and other public buildings, churches, golf courses, and public open spaces. The ratepayer in these cases, would thus be either the local authority or a class of occupier for which a case for exemption might well be made out and, no doubt, would be vigorously pursued.

On the point of equity, the system might not be an improvement on the present system, and the effects would be different in different areas. Further, it would not, of course, affect the total amount to be raised in local taxation.

The economic argument for site value rating is that it would tend to promote development, as the rate is based on a value which assumes the maximum potential development of the site. It can be argued, however, that it is not the function of a local taxation system to bring about effects of this kind.

#### Abolition of Schedule A Tax

The Finance Act, 1963, abolished Schedule A tax and replaced it by a new Schedule D, Case VIII, tax on income arising from property, thus effectively eliminating income tax on the benefit derived from occupation. One important consequential effect on the taxation position of local authorities was the loss of the right to set-off losses on games in parks and similar activities against excess rents assessments. Excess rents assessments arose because whilst the housing rents of local authorities had risen considerably since before the war, Schedule A values had not been revised. The rent in excess of the Schedule A value was, therefore, taxed under Schedule D, Case VI, and the Income Tax Act, 1952, permits losses on transactions within Case VI to be set off against Case VI assessments, thus reducing the ultimate liability to tax. Most authorities carry on a number of activities which would be assessed under Case VI if profits were earned and the right of set-off was of considerable benefit. The new system of taxation of rent income appears likely to affect many authorities adversely. The Council is collecting evidence on this point.

The Council has also suggested to the Inland Revenue that local authorities might be empowered to carry forward a surplus of interest paid over rent income in the same way as under section 345 of the Income Tax Act, 1952.

#### Computers

The Council, as announced at the conference last year, is taking a number of steps to foster interest in computers, and is concerned that members should be fully aware of

the potentialities of computers in all aspects of the work of local and public authorities.

In the autumn of 1963, the Council organized a week's course at Northampton College of Advanced Technology which was attended by over one hundred and thirty chief and senior financial officers. A wide variety of lectures was given covering non-financial computer applications and the decisions involved in choosing, installing and operating computers.

In April, the Institute arranged a week-end conference at Queens' College, Cambridge, on 'Computers in Local Government'. The conference, under the chairmanship of Mr Ernest Sinnott, Deputy Chairman, South Eastern Electricity Board, was attended by county and town clerks, engineers, architects, medical officers, housing officers, education officers and representatives from Government departments in addition to treasurers.

The Council has set up a specialist panel on computers, with the title 'The Local and Public Authority Computer Panel'. The functions of the panel will include the appraisal of computers, the appraisal and development of new procedures and systems which may be of benefit to a number of authorities and boards, and the maintenance of an index of applications.

The panel will also co-operate with other professions and technical organizations in developing the use of computers for various applications.

#### Joint Diploma in Management Accounting

The Council has had under consideration the proposals of five of the accountancy bodies, to establish a joint diploma in Management Accounting Services, and the proposal of the English and Irish Chartered Accountants to establish a Certificate in Management.

The Council has also had under consideration the extent to which members of the Institute should be expected to have knowledge of and training in management and management services. Although consideration has not been completed, the Council's provisional view is that *management accounting services* have always formed an important element in the Institute's examinations and in the professional work of members, but there is a need to review the examination arrangements periodically to ensure that modern techniques are adequately covered. The Council thinks that the term *management* covers the body of knowledge that every departmental manager in local and public authorities should possess in order effectively to perform his managerial functions, and consequently training in this subject is not something the Institute should undertake in isolation from other professional bodies concerned in the public service. The Institute has, however, taken a useful step in introducing its new examination syllabus this May. The Council next proposes to consider whether the co-operation of other bodies should be sought to draw up a joint syllabus for a diploma on management in the public services.

The Council also has under consideration the extent to which members should be expected to have knowledge of management services other than accounting services, including non-financial computer applications, systems planning, operational research, work study and similar techniques. On work study, the Institute proposes shortly to issue recommendations on the relationship between the chief financial officer and work study.

The training investigation referred to above will also consider in detail the need for training in management techniques and whether any changes should be made in the way this need is met.

## Papers Presented at the Conference

### THE INDEPENDENCE OF THE TREASURER

In the course of his address to the conference on Wednesday morning, the retiring President, Mr G. C. Jones, F.C.A., F.I.M.T.A., Borough Treasurer of Reading, spoke of the necessity of the local or public authority treasurer to be able to maintain an independent position. Independence, he said, did not necessarily mean opposition, with no place for co-operation with others. Independence and co-operation were both essential features of the successful treasurer. Treasurers disliked being called 'no men', but on occasions they must accept this as an occupational risk. In Mr Jones's experience, the independence of the treasurer had always been to the advantage of the authority and the public purse, and had helped him to maintain the professional integrity of his office.

Of what must the treasurer be independent? Mr Jones asked. He must be independent of bias; he must not allow himself to be influenced in his official responsibilities by individuals in any walk of life; he must be free of party political influence and independent of other chief officers. His relationship with the chairman of finance committees must be a friendly partnership, but co-operation must be accompanied by freedom to express constructive criticism.

The treasurer must be independent enough to do his duty at all times whether it is popular or unpopular. His personal friendships should be formed with those unlikely to do business with his Council.

All this had been important in the past. In the present and in the future, said Mr Jones, with party politics becoming of increasing importance in local government, and with movements towards a general

managerial system, the independence of the treasurer as one of the essential safeguards of the public purse was more vital than ever.

### The Treasurer's Duties

The Local Government Act, 1933, is the statutory authority for the appointment of treasurers to local authorities. Unfortunately, however, his duties are not very well defined. Mr Jones mentioned the sections of the 1933 Act which specify duties of the treasurer and quoted section 58 of the Local Government Act, 1958, which stipulated 'Every local authority shall make safe and efficient arrangements for the receipt of moneys paid to them and the issue of moneys payable by them and those arrangements shall be carried out under the supervision of the treasurer.' This section was framed in very broad terms and there was no doubt that the lack of uniformity among local authorities in the distribution of functions had caused difficulty in defining the duties of a treasurer. A Ministry of Housing and Local Government memorandum had laid down the following principles:

- (i) That the duty of providing information, calculating, checking and recording of sums due to or from the council should be separated as completely as possible from the duty of collecting or disbursing those sums.
- (ii) That officers charged with the duty of examining and checking the accounts of cash transactions should not themselves be engaged in any of these transactions.
- (iii) That responsibility for the maintenance of current supervision of all accounts and records relating thereto should rest upon one chief financial officer, and that the officer charged with this duty of supervision should have access at any time and authority

to apply any test or check to the accounts and records.

- (iv) That responsibility for the organization of efficient accounting systems shall also rest upon this officer.

Pointing out that the responsibilities of the treasurer of public funds are ill-defined, Mr Jones concluded that this may be no bad thing because the result is that his responsibilities are infinitely wide, and he quoted with approval the famous dictum in *Attorney-General v. de Winton*:

'The treasurer is not a mere servant of the Council; he owes a duty and stands in a fiduciary relation to the burgesses as a body and although he holds office during the pleasure of the Council only, this does not enable him to plead the orders of the Council for an unlawful act.'

### LOCAL GOVERNMENT REORGANIZATION - SOME FINANCIAL IMPLICATIONS

Speaking to the conference on Wednesday afternoon, Mr R. G. Morgan, B.COM., F.I.M.T.A., Borough Treasurer of Brighton, discussed some of the financial implications of the various forms of local government reorganization. The one most in the public eye, of course, is the series of reviews by the Local Government Commissions, but no less important are the reviews by county councils of the county districts within their areas, and also the possibilities of regional government.

The Local Government Commissions are required to take account of 'financial resources measured in relation to financial need', but financial considerations have not played a decisive role in the recommendations so far published. Mr Morgan divided 'financial implications of reorganization' into four groups:

- (a) considerations which determine the appropriate size for a local authority;
- (b) the effect on the ratepayers;
- (c) national economic effect;
- (d) administrative financial problems.

#### Appropriate Size

In discussing 'appropriate size', Mr Morgan said that it was necessary to bear in mind the functions which the authority has to discharge. Of the 879 boroughs and urban districts in England and Wales, no fewer than 547 are below 20,000 population and only sixty-eight are large enough, at 60,000 or more, to claim delegation of major services. Two hundred and ninety-three of the 474 rural districts are below 20,000 population. What was needed was 'a district strong enough financially not only to handle without undue strain its essential commitments, but also to meet likely future needs and developments in its area without being inhibited by the likelihood of future rate increases'.

There were thirty-four county boroughs and thirteen county councils with populations of less than one hundred thousand. These authorities needed bigger headquarters and stronger professional staffs than county districts. An examination of the reports of the Local Government Commissions so far published suggested that they seem to accept 100,000 as a fair minimum for a county borough, and 200,000 for counties. These figures (like the 20,000 for county districts) were not necessarily ideals, but were reasonable minimum targets. Convenience and coherence might sometimes operate to keep the actual figures

below these minima. On the other hand, if larger-sized authorities were readily attainable, then these should be set up to spread costs, utilize specialized staff and equipment fully and enjoy such economies of size as bulk buying.

#### The Effect on the Ratepayers

Mr Morgan next considered the interrelation between town (and rich areas) and country (and poor areas). There seemed to be no reason why the inhabitants of towns not enjoying county borough status should, in addition to being deprived of full control of their services, be also expected to make an additional contribution to the rural areas of the county. It should be possible to ensure that the general grant contained an element of extra money channelled exclusively to counties, on a formula calculated on the basis of their missing agricultural rateable values.

How should a losing authority face the increased burden? The Local Government Act, 1933, said Mr Morgan, included provisions for the payment to a local authority of compensation for increase of burden following boundary and other charges. But the principle of 'burden claims' as a right had now gone. When the 1948 Act was passing through Parliament, it was thought that the new exchequer equalization grant had rendered them obsolete, but this seems to have been a fallacy. In the past, adjustments of liabilities and assets were usually made on the basis that an extending authority accepted responsibility for a share (based on rateable value) of capital debt, liabilities and commitments.

Should 'burden claims', though no longer provided for by law, continue under some other label? It seemed right, he said, that the short-term burden - due to inability to reduce services - should be mitigated, but not to expect a new county borough to contribute towards the longer-term problem of the reduction of the area of charge and of the rateable value chargeable. It could not be argued that, because an authority had always enjoyed the benefits of having within its boundaries a profitable area, it had some prescriptive right to enjoy those benefits in perpetuity.

What mattered to the ratepayer was not whether his rate bill was higher or lower than it might be elsewhere, but the sudden jump in demands on, perhaps, an already stringent budget. The plight of the retired and those on fixed incomes should be relieved through national finances or by an alteration in the rating system, perhaps some form of rate rebate scheme. A solution could be found without scrapping the rating system, but unless it were found, both the rating system and local government in its present form were in grave peril of disappearing.

#### Administrative Financial Problems

Mr Morgan later considered the administrative financial problems resulting from changes in area and status - problems which are particularly severe in London, where complete authorities were to be replaced by new ones covering different areas and with a totally different distribution of functions.

The new or altered authority must be ready well before the date of change with its precept or rate requirements, and would need to draw heavily on the knowledge of its predecessor. Accountancy systems would have to be integrated, and the necessary data for

collecting income and making payments would have to be available to the new authority.

The general upheaval brought about by substantial changes reinforced the need for real vigilance by the audit section. In the unsettled conditions of changeover, not only would the opportunity for irregularity be increased, but so too would the need for helpful and intelligent guidance to keep things upon the right lines.

Mr Morgan briefly reviewed the case for local services being a 'national charge'. Nationalization, he said, did not necessarily mean either equality of charge or service, as the gas and electricity position demonstrated. Similarly the hospital boards showed that it was possible to have equality of charge with a regional organization and regional variations in standards of service.

A much urged view at the present time was that the cost of education should be taken off the rates and made a national charge. Mr Morgan believed this would be the end of education as a local service (certainly the colleges of advanced technology did not long survive

under local government control once their financing became national). Most people who talked of national financing of education believed this would mean financing it from income tax. This ignored the fact that not far short of half of national taxation was raised from indirect taxes. It also ignored the fact that to charge education to income tax alone would mean putting the standard rate up by something of the order of 1s to 1s 3d. If education was financed nationally much of its needs would come from indirect taxes. Pensioners and others with small incomes could well find that a great part of any relief in rates was immediately counterbalanced by increases in indirect taxation which bear just as hardly upon the poor and needy but which since they were less obvious than rates excite the social conscience less and were perhaps the worse for that. The better solution might be found in a somewhat higher national contribution towards the cost of education through the grant system, coupled with alterations to the rating system to temper the wind to the genuinely shorn lamb.

## FOR STUDENTS

# ASSETS AND EXPENSES ARE DEBITS

**M**ANY students at the beginning of their accountancy studies find it difficult to understand why things as dissimilar as assets and expenses should both be represented in the books by debits. This article will endeavour to explain why this should be so. First, the application of debit and credit methods to the cash-book must be clearly understood. It is, of course, the rule that payments out are entered on the credit side of the cash account, incoming cash on the other hand being entered as debits. Therefore, by totalling each side and deducting the smaller from the greater, a balance can be struck. Clearly, if receipts exceed payments, a debit balance results which records the fact that we possess the asset cash in hand.

It is therefore simple to understand that a debit balance represents an asset, whether the account deals with cash or some other form of possession such as machinery, book debts or, indeed, if it includes a future benefit such as some or all of a periodical expense relating to a time subsequent to that covered by the accounts with which we are dealing.

An example of such a future benefit is provided by the payment of rent in advance, as when £366 is paid on January 1st, 1964, in order to obtain the right to occupy premises up to the following December 31st. Such a payment would be recorded by crediting cash (in accordance with the rule stated above) and debiting an expense account for rent. It should be noted that so far the question whether the debit represents an asset or expense does not arise. The books do not make any distinction at this stage. The division is the task of the accountant who knows the periods covered by (1) the payment of £366, and (2) the accounts with which he is dealing. If these latter are to reflect the facts of the year's operations correctly, the charge for rent must exactly fit the period of account irrespective of the date it is paid. If the two periods do not coincide an adjustment must be made in the rent account.

## Day-by-day Charges

There is therefore a debit in the expense account for £366 representing a charge of £1 per day for the benefit of being able to occupy the premises to the end of the calendar year. At midnight on January 7th, £7 of the year's benefit has been used up, because the premises have been occupied for a week. Therefore, if we were to prepare accounts for the first seven days of 1964 we must charge £7 to the profit and loss account and 'carry down' the balance on rent account of £359. This represents an asset and in the balance sheet it would be classified as 'rent paid in advance'. If, however, we postpone the close of the accounting period to March 31st (by which date ninety-one days of 1964 have elapsed) the profit and loss account charge for rent must be £91, and £366—£91=£275 would be the amount of the asset at that date and hence the balance sheet would show a pre-payment.

## The Division of the Debit

It will be noted that the original debit of £366 is analysed between 'asset' and 'expense', the respective portion of each depending upon the date at which we end the accounting period. The asset proportion diminishes with the passage of time and the expense proportion correspondingly increases. At the end of 1964 the whole of the debit would represent an expense exactly covering that year's accounting period; there would be nothing left to 'carry down' for 1965 as a further annual payment would be due on January 1st. It is therefore apparent that the debit which begins by being an asset, gradually 'melts away' with the passage of time and becomes an expense, the relative proportions depending upon the date we close the books. Therefore, whether a debit balance is an asset or an expense depends entirely on the relative facts; it can be either.

# Notes and Notices

## THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES Annual Church Service

A special service for members of the Institute will be held at St Margaret's Church, Lothbury, London EC2, at 12.30 p.m., on Wednesday, July 1st. The members of the Council of the Institute will be present and the President hopes that as many members of the Institute as possible will also attend.

### Technical Advisory Committee

The one hundred and thirty-fourth meeting of the Technical Advisory Committee was held at the Institute on Thursday, June 11th, at 2 p.m.

*Present:* Mr H. C. Shaw (in the chair). Messrs G. L. Aspell, T.D., R. P. Brown, K. A. Buxton, J. Cartner, K. P. Chapman, D.S.C., L. H. Clark, P. G. Craven, T.D., S. Edgcumbe, A. R. English, R. W. Foad, C. R. P. Goodwin, K. J. Hilton, A. P. Hughes, G. N. Hunter, H. Kirton, T.D., S. Kitchen, E. D. London, J. W. Margetts, A. G. Martin, B. A. Maynard, G. M. Metcalf, F. L. Moulding, E. J. Newman, R. D. Pearce, J. Perfect, A. L. Pitman, T. B. Pritchard, D. W. Pursglove, H. Robinson, B. G. Rose, H. G. Sergeant, W. Shuttleworth, H. G. Smith, C. C. Taylor, and G. Thompson, with Mr G. A. Slator, Acting Secretary to the Committee. Messrs G. G. G. Goult and J. W. Walkden attended by invitation.

### Subcommittees

Reports of progress were received in connection with twenty-eight matters and nominations were approved in respect of three new subcommittees.

### Future Meetings

Future meetings in 1964 have been arranged for: Thursday, September 17th, 1964; Thursday, October 22nd, 1964; Thursday, December 17th, 1964.

## THE CHARTERED ACCOUNTANTS' BENEVOLENT ASSOCIATION

At a recent meeting of the Executive Committee the chair was taken by Sir William Carrington, F.C.A., President of the Association, and ten members were present.

### Applications for Assistance

Six new applications for assistance were considered; in three cases a grant was made for a period of one year;

in two cases temporary assistance was given following unemployment and illness and in the other case the applicant was nominated for a place in one of the homes of Crossways Trust.

One of the new cases was that of a member under 40 years of age with three children who had lost his employment owing to a take-over and had subsequently been ill. Debts amounting to £80 were paid and a donation of £125 was made to cover expenses while he was unemployed.

Twenty-two applications for further assistance were considered; eighteen grants were renewed, two were increased and one reduced; one case was deferred for further consideration.

### Special Fund

One application for further assistance was considered and the grant was renewed.

### Matters Reported

Changes were reported in the circumstances of eighteen other beneficiaries and in appropriate cases the grant was adjusted or a donation was made. The recent death of a member, aged 91, who had been resident in a Crossways Trust home since 1961 and the death of two other beneficiaries aged 78 and 59 were reported.

## PROFESSIONAL NOTICES

MR JOHN E. ARNOLD, F.A.C.C.A., announces that he retired from professional practice on June 1st in order to take up a commercial appointment.

MESSRS MAURICE E. BULLEY & Co, of 30 Midgate, Peterborough, announce that they have opened an office at 18 De Montfort Street, Leicester (Telephone 24221), as from June 1st, 1964, on acquiring the practice of Mr J. G. KIRK who is retiring.

MR B. J. W. CURTIS, A.A.C.C.A., A.T.I.I., announces that he is now practising as B. J. W. CURTIS, Certified Accountant, at 141 Brockhurst Road, Gosport, having succeeded to the practice of Mr J. E. G. ARNOLD, F.A.C.C.A.

MESSRS PERCY PHILLIPS & Co, of 76 New Cavendish Place, London W1, announce the admission to partnership of Mr MICHAEL CHARLES STERN, A.C.A.

MESSRS J. SOCHALL & Co, Certified Accountants, have removed their offices to White Horse Buildings, White Horse Street, Boar Lane, Leeds 1, as from

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June 11th, 1964. Telephone 34765. They also announce that as from June 10th, 1964, they have admitted into partnership Mr GORDON C. SMITH, A.C.A., who has been a senior member of the staff for a number of years. The name of the firm is now SOCHALL, SMITH & Co.

### Appointments

Mr John E. Arnold, F.A.C.C.A., has been appointed financial director and group accountant of Tonrin Property Co Ltd.

Mr Allan F. Bates, C.M.G., A.A.C.C.A., has been appointed managing director of the Development Bank of Mauritius. He has also become chairman of the Mauritius Broadcasting Corporation.

Mr Douglas A. Clarke, LL.B., F.C.A., has been elected honorary treasurer of The London Chamber of Commerce.

Mr A. L. Cooke, M.B.E., F.A.C.C.A., has been appointed secretary of Anglo-Ecuadorian Oilfields Ltd, while continuing as financial manager.

Mr D. C. Davis, A.C.A., has been appointed secretary of C. Tinling & Co Ltd, in addition to his present appointment of group accountant.

Mr David Jackson, A.S.A.A., has been appointed regional accountant for Britain of Aer Lingus.

Mr John Ryan, F.C.A., A.C.W.A., has been appointed cost accountant to the English Sewing Cotton group and Mr Brian Shannon, A.C.W.A., becomes divisional cost accountant, branded products division, a newly-created position within the group.

Mr K. A. Ward, F.C.A., has been appointed treasurer of Albright & Wilson Ltd.

Mr F. E. Wheat, A.A.C.C.A., has been appointed a director of the Wolverhampton Box Co Ltd, while retaining the position of secretary.

### OBITUARY

#### Mr V. H. E. Evans, F.C.A.

It is with regret that we record the death on June 7th, at the age of 61, of Mr Vincent Evans, F.C.A., chief accountant of the South Wales Electricity Board.

Born at Brynmawr, Breconshire, Mr Evans was admitted to membership of The Institute of Chartered Accountants in England and Wales in 1929. He first served with Derby Corporation and subsequently became chief financial officer and accountant to Bedwellty U.D.C.

He was appointed assistant chief accountant of the South Wales Electricity Board in 1948 and became chief accountant in 1955.

Apart from his loss to the Board as an able administrator, he will be sadly missed by his colleagues of all ranks as a personal friend.

### NATIONAL PORTS COUNCIL

#### Chartered Accountant Appointed Member

Mr Ian W. Macdonald, M.A., C.A., chairman, National Commercial Bank of Scotland Ltd, is one of eleven members of the National Ports Council set up by the Minister of Transport to formulate a national plan for the development of harbours in the United Kingdom. The Council will be headed by Viscount Rochdale who also led the recent inquiry into the modernization of the United Kingdom's major harbours.

### LONDON AND DISTRICT SOCIETY OF CHARTERED ACCOUNTANTS

#### Evening Meeting: July 8th

The London and District Society of Chartered Accountants is holding an evening meeting at The Chartered Insurance Institute, 20 Aldermanbury, London EC2, on Wednesday, July 8th, at 5.45 p.m., concerning the new Institute building.

It is hoped that members will support this meeting at which they may put forward their views on the amenities they would like to have. Mr G. R. Appleyard, F.C.A., the Chairman of the Committee for Redevelopment, will be in the chair and will note and comment on suggestions put forward.

### DISTRICT SOCIETY'S SPRING MEETING

The Leeds, Bradford & District Society of Chartered Accountants held a very successful Spring Meeting at the Cairn Hotel, Harrogate from May 29th to 31st. The meeting was attended by about one hundred and thirty members and their ladies. Papers were given by Mr Philip Shelbourne, Barrister-at-law, on taxation in relation to business decisions, and by Mr W. E. Parker, C.B.E., F.C.A., on problems posed by the Jenkins Report.

Sir William Carrington, F.C.A., representing the President of the Institute, addressed the members on the White Paper on the assessment of company profits. Discussion sessions covered matters of topical interest including the Practitioner Inquiry. There was a full programme for the ladies including a banquet and dance on the Saturday evening.

### NORTHERN SOCIETY OF CHARTERED ACCOUNTANTS

#### North Yorkshire and South Durham Branch

The new secretary of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants, as from May 26th, is Mr A. D. Scott, A.C.A., c/o Imperial Chemical Industries Ltd, Agricultural Division, Accounts Department, Billingham, Co. Durham.

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**SOUTH WALES AND MONMOUTHSHIRE  
CHARTERED ACCOUNTANTS STUDENTS'  
SOCIETY****Annual Report**

The annual report of the South Wales and Monmouthshire Chartered Accountants Students' Society, presented at the fortieth annual meeting held in Cardiff on June 4th, reports a membership of the Society at December 31st, 1963, of 343.

The report states that during the year the Friday afternoon and Saturday morning lectures continued to be well supported and on a number of occasions the Friday lectures were attended by over one hundred students. An innovation during the year was the organizing of a lecture at Newport at which the attendance was encouraging enough for it to be regarded as a regular event in the future. Visits were made to a number of industrial establishments in the Society's area including one to Guest Keen iron and steel works at Cardiff and one to Richard Thomas & Baldwins at Newport.

The annual dinner and dance was held at the Park Hotel, Cardiff, in December and proved to be as enjoyable as in previous years. For the first time, the Society held an informal summer dance in June at Penarth. As the function was so successful it is proposed to hold a similar one this year and in future to include it as a regular feature in the Society's programme. At sport, rugby, cricket, golf, water polo and skittle matches were played. Adverse weather conditions, however, curtailed the number of rugby and cricket fixtures.

**INTERFIRM COMPARISONS IN COTTON  
INDUSTRY**

The interfirm comparison scheme administered by the Cotton Board Productivity Centre has been operating for spinners, weavers and vertical firms for over twelve months and there are now over fifty firms participating.

At the end of last month, the Productivity Centre announced the introduction of a 'tailor-made' interfirm comparison scheme for the piece dyeing and finishing section of the industry. Approximately 25 per cent of the firms in this section have expressed their wish to participate.

A committee of managers and accountants from member firms of the Federation of Piece Dyers and Finishers has been working with the Productivity Centre's accountants to arrive at a satisfactory group of management ratios suited to the requirements of this particular section of the industry.

The interfirm comparison scheme enables firms in the same line of business to compare their efficiency in various fields of management practice. The scheme operates under conditions of complete secrecy. A series of carefully selected management ratios enable a company to identify its strengths and weaknesses in

comparison with its competitors and can also show the probable effect of adopting various methods of improving weak positions.

Further details of the interfirm comparison scheme are available on request from The Cotton Board, Royal Exchange, Manchester 2.

**OXFORD UNIVERSITY APPOINTMENTS  
COMMITTEE**

The report for 1963 of the Appointments Committee of the University of Oxford states that there were 2,757 men registrants during the year.

The number of vacancies notified by employers during 1960 totalled 9,590, of which 5,446 called for men with scientific qualifications. The demand for chemists, although less strong than during the late 1950s improved towards the end of the recruiting season but there was an increasing tendency to favour second-degree men for research posts. Mathematicians continued in very great demand for university and school teaching, Government, professional and industrial posts. Of 1,802 non-technical vacancies in industry and commerce, 1,767 were for arts men going down into first posts – an increase of 12 per cent over the previous year. The demand from firms of accountants for graduate articled clerks again increased.

A table giving details of the appointments obtained through the committee shows that of 789 permanent posts filled by men, thirty-three were in public service, forty-five were in nationalized industry, 262 in education and 365 in industrial and commercial firms. Of the 789 posts obtained, a total of 611 were filled by men taking their first job and completing their studies. Of this latter group, thirty posts were in finance and twenty-four were serving accountancy articles.

The report of the Women's Secretary states that the number of registrations carried forward from the previous year totalled 275; registrations revived during the year numbered 117 and there were 310 new registrations. The number of posts filled during the year was 182, of which ninety were educational, twenty-nine governmental and sixteen industrial.

**PUBLICATIONS OF THE BRITISH INSTITUTE  
OF MANAGEMENT****Gee & Co appointed Distributing Agents**

Gee & Co (Publishers) Ltd are pleased to announce that as from June 1st, they have been appointed sole distributing agents for all publications of the British Institute of Management.

Readers in the United Kingdom and overseas wishing to obtain B.I.M. publications should therefore address their orders to Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2. Telephone Temple Bar 0832.

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## Exports by Groups

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WHILE Britain's exports prospects are good - according to Mr MAUDLING, 'exports should be capable of expanding to the level needed to pay for our long-term import requirements' - current export performance is barely up to the needs laid down by the National Economic Development Council as the *sine qua non* of continuous economic growth.

It has been estimated that about half of Britain's visible exports are contributed by some four hundred firms; certainly there are good reasons for believing that many British firms are not sufficiently export conscious. Judging by an Organization for Economic Co-operation and Development report entitled *Export Marketing Groups for Small and Medium-sized Firms* (H.M.S.O. 6s), this is not a problem peculiar to these shores. Three years ago the representatives of the O.E.C.D. member countries met in Vienna to consider the problems of the new smaller entrant into the export markets. This report gives their findings and recommendations.

It is recognized that the difficulties are many and complex - market research; sales promotion; keeping a hold in the market once entry has been gained; a lack of specialized personnel and of finance, too - all these contribute to discourage the small and medium-sized producers from venturing into unknown waters. The question is simple enough. How can such firms hope to match their limited resources against those of the larger firms? The answer given by the conference is to pool their resources.

The pooling should be done in such a way that financial independence is maintained and this can best be achieved through the medium of 'export groups'. The report points out that such 'groups' need not handle one type of product only; they can deal in a range of diverse products. Collective advertising is more economical than individual, while administration costs overseas can be severely pruned. The report expounds the basic principles which such groups should follow, illustrating principles by reference to the experience of European groups with successful records operating in France, Belgium, Switzerland, Austria, Denmark and the Netherlands. Such groups, it is stressed, call for a common interest and spirit, as well as a co-ordinated business policy.

The source from which the initiative should come is not so important as that it should come from somewhere, be it firm, trade association or Government. Past experience may not always have been encouraging, but any straw which offers fresh hope for the future is worth grasping.



## The Banker's Art

THE bank manager is such a familiar figure, in life and in legend, that his customers for the most part take him very much for granted. When his help is sought, whether in the matter of a small loan or in one of the surprisingly personal problems that the public also take to him, he is usually friendly even if he has to harden his (financial) heart. He is a good fellow; we do not concern ourselves, at least as long as the sun is shining, with what makes him tick.

Two of this year's books go a long way towards answering the questions about him that we usually do not ask. The first, *Securities for Bankers' Advances*<sup>1</sup>, is in fact a new edition of a book that has in ten years established itself as an indispensable banking textbook; the second, *Bank Lending*<sup>2</sup>, is a new book, quite different from the first despite the parallels implied in the titles. Together they chart a great deal of the bank manager's working life and the interested outsider who reads them will understand the banking process – or at least its most important aspect – more clearly than he has done before.

Not that Dr HOLDEN's book is to be recommended for casual lay reading: it is a substantial textbook, examining in impressive detail the law, the theory and the practice of securities for bank advances. It is primarily a banker's textbook, and a textbook for others professionally concerned with bank lending. But its consistent concern with the practical framework in which the legal rules must operate makes it kin with Mr CLEMENS's book. His much more general study is of bank managership over a wider front. Lending is its main interest, but Mr CLEMENS, who was himself for many years a bank manager, seeks to guide a younger generation of neophyte managers in the art as well as the craft of the job. No manager will be able to lend wisely unless he knows (often unconsciously) quite a bit of psychology. The interviews that fill such a large part of the manager's day, can be well or ill-handled. Mr CLEMENS illustrates his points with

case histories that can wring other withers than managers', and this specialized addition to the growing library of management studies is worth its place on the shelves.

But it is, of course, in its purely banking aspects that its main interest lies. How do bankers lend? By what criteria do they judge between the credit-worthy and the credit outcasts? What is the relation between the manager and his head office? Is the manager of any real importance in the lending arrangements, or is he a mere voice-piece for higher authority? The answer to the last question comes through clearly enough: that the manager's relationship with his customer, and his judgement of him, is in all but the largest advances the key to the whole process. Government intervention can tie the best banker's hands, and the £10 million borrowing is a matter for general managers; but at all the innumerable steps short of the top the business man's best friend can be his bank manager.

His help often enough takes the unpalatable form of trimming back ambition to viable possibility and saving customers from the consequences of their own enthusiasm. The bank manager who refuses a fully-secured advance to a small shopkeeper because he can see, as the shopkeeper cannot, that the business is running down, will win little thanks from his customer. He may lose the bank an account; his alternative, a perfectly safe loan that will postpone disaster for a year but make it worse when it comes, has its obvious temptation. The good bank manager will resist it.

Both Dr HOLDEN and Mr CLEMENS deal with the question that accountants are less likely than other customers to ask: why does the banker want security? He does (though not always) and for good reason; but both books make the point that the primary security is the customer's character.

An article in the current issue of *The Banker*, 'Difficult customers', by another experienced lending banker, would make a good introduction to either book. We are all in greater or less degree involved with our bankers. There is more than a little interest in listening to them instructing their apprentices.

<sup>1</sup> *Securities for Bankers' Advances*, by J. Milnes Holden, LL.B., PH.D., A.I.B. Pitmans, 35s.

<sup>2</sup> *Bank Lending*, by J. H. Clemens, A.C.I.S., A.I.B. Europa, 30s.

# Are Profits so Important?

by R. IAN TRICKER, A.C.A., F.C.W.A.

**P**ROFIT, the accountant's stock-in-trade, has become one of the most emotionally charged words in the country. One result of our industrial history has been the social, political and economic undertones which the word has acquired. Other countries that have developed later tend to view profit in a more utilitarian manner. The great paradox for accountants is that whilst aware of the necessity for encouraging profit maximization, they find themselves almost wholly unable to discuss profit figures constructively in the open. So often they seem to consider them as the unfortunate result of some anti-social activity. This may be the result of cautious business men but there are few indications that the accountant actively encourages profit discussion.

It was a highly successful company executive who said recently – in that dynamic fashion which is supposed to characterize highly successful executives – that his company existed for one thing, and one thing only, and that was to make a profit. None of his listeners raised a dissident voice. Subsequently this executive was surprised, when endeavouring to put over a cost reduction drive to his staff, that his subordinate managers were not as strongly influenced by profit. The urge to improve corporate profits by cost saving efforts left them strangely unmoved. Their outlook seemed to be towards maintaining the *status quo*. The executive put this down to apathy and the fact that they were obviously not 'good company men'. What he did not do was to question his own basic assumption that his company existed for profit alone. This thesis is well worth examining.

## Growth

In the early stages of growth of a business when the image of one man is stamped throughout, there is little doubt that profit represents a real driving incentive. This man sees his profit as the growth of the value of his business, as his ability to buy a better car, to afford a bigger house, even to be allowed to increase his overdraft limit.

As the business passes through the stages of growth at which one man no longer makes all the

decisions and influences all the results, the profit motive becomes progressively reduced. It is an economist's pipedream to believe that a company has some sort of corporate spirit which urges it towards the inevitable maximization of profits. The company's character will be moulded by its senior men and its profit consciousness will reflect theirs.

We are undoubtedly moving into the era of the professional manager and it is important to question his stimuli. His motives will include career prospects, job satisfaction, security, salary (often the bracket within which it falls since this establishes his status and group, rather than the actual amount) – but not profit. Unless the manager is so placed that his own actions directly and significantly affect the corporate profits, and he is being judged or rewarded by those profits, he will remain uninvolved.

Companies recognizing this situation have introduced the multifarious profit-sharing and incentive schemes. Few of these are really effective as a continuing motivator because the manager feels that his efforts do not significantly affect the whole. The recent trend towards paying managers a basic salary and then offering extra incentive rewards on performance, is most successful where the manager's target is strictly within his own control and is attainable.

## Hostility

The lack of profit orientation among managers becomes amplified as one descends the organizational pyramid. At shop-floor level, whilst career prospects tend to be replaced by the need for job security, the other emphasis on job satisfaction, wages and wage differentials remain. The profit motive has, if anything, become negative. In some way profit increases are still associated with class struggles and worker exploitation: 'Why should we increase productivity or reduce costs when the result is increased profits – they're making too much already.' As Falk says in his book *The Business of Management*:

'Is there not still a strong hostility to the idea of profit in most labour forces – a hostility which has been inflamed by the loose talk of politicians?'

Consider other bodies that might be interested in profit. In the case of suppliers and customers, they so rarely seem concerned that great interest is aroused when a group in this relationship complains (example – the recent Ferranti 'Blood-hound' project profit). As long as the company seems stable and likely to guarantee payment or service, the customer or supplier presumes that profit is controlled by competitive forces and is of no concern to them. (Whether it is or not is another matter.)

### Questions

The other group which is, of course, interested in profits is the shareholders. There are many indications, however, that boards of directors consider their duty done having paid what they consider to be a reasonable return on the investment. To have produced more profit than last year – or if not, to have rationalized the reason – is sufficient. Few boards assess the profit that might have been made in the existing market conditions and then report how near they came to achieving it. Generally, boards are uncritical and self-perpetuating. Questions at company meetings are still rare and considered to be rather in bad taste.

Responsibility to the community or State is seldom considered by companies in Britain, contrasting with the practice in the United States, so that this sector also is unconcerned with profits, except to the extent of receiving the appropriate tax share.

### Objectives

To return to our highly successful company executive who believed that profit was the mainspring driving the industrial machine, we can now see that it is really motivating very few people. He might have been more accurate had he said that his company existed to make ash trays, or whatever it was, in a way that recognizes the needs of employees, customers, suppliers and the shareholders, and produces a profit by which to measure its growth and achievement in meeting its objectives. By emphasizing his company's objectives he might have begun to persuade his employees to identify themselves with them. If he had then broken the corporate objectives down into functional and divisional objectives, so that each manager knew the importance of his own job and its relation to the whole, his cost reduction programme might have had more success.

This is the basic thinking behind responsibility

accounting and budgetary control. But so often the emphasis is placed on the overall situation which the individual cannot control, instead of his own objective which he can. Even forward thinking companies tend to draw the line at real profit disclosure. The glossy annual group earnings statement appears to be a complete unveiling of profits, but talk to a manager of one of the subsidiary companies in the group; he is interested in the results of his company because he is part of it, and this he cannot find out.

The role of profits in this country's industrial scene is largely misunderstood and mistrusted. Secrecy on profit figures, reticence in profit discussion and the fear of criticism supports this view. Although trade unions, employers and professional bodies support the National Economic Development Council, one of the reactions to the NEDDY 4 per cent growth target has been 'So what? Who wants a 4 per cent growth rate anyway?' The same reaction is met when discussing profit improvement: 'So what? Who wants to increase profits – except the shareholders?' and so on.

### Education

There is a great need for education in the field of profit appreciation. Senior managers must consider the potential benefits of disseminating profit and cost information throughout the levels that are able to influence the results, however slightly. Consideration must be given to the need for individuals to identify themselves with the corporate objectives through the objectives of their own jobs. Participation in setting objectives is a great motivator in striving to reach them. The best form of control is not hierarchic control from the top but self control by all concerned. Employees must be prepared to understand the role that profits play in measuring the success of a company, its security and potential for the future. They must be prepared to appreciate the profit figure critically, measuring it against the relative investment before wondering at its sheer size.

The word profit needs to be taken out of the loose, pseudo-social, emotional hands of verbal manipulators and exposed for what it is – an assessment of the growth in net assets and a measure of the degree of success or failure, of strength or weakness – facts which are vital to all concerned.

Accountants have a big part to play in this educational process. It is important that they recognize the need.

# What is Scientific Research?

## TAXATION DEFINITIONS

by R. J. PICKERILL, F.C.A.

**S**CIENTIFIC research is defined in section 340 of the Income Tax Act, 1952, as: 'Any activities in the field of natural or applied science for the extension of knowledge.'

A deduction may be claimed under section 335 for revenue expenditure, and capital allowances are available under section 336 for capital expenditure on scientific research. Section 340 states that scientific research expenditure is expenditure on scientific research but specifically excludes from this definition expenditure incurred in the acquisition of rights in or arising out of scientific research. Further, both the revenue deduction available under section 335 and the capital allowances granted by section 336 are limited to scientific research expenditure related to that trade or that class of trade. This limitation is defined again in section 340 as either:

- (a) scientific research which may lead to or facilitate the extension of that class of trade; or
- (b) medical research which has a special relation to the welfare of workers employed in that trade or that class of trade.

It is further provided in section 340 (4) that the Commissioners of Inland Revenue shall refer any question arising as to whether and to what extent any activities constitute scientific research, or whether any asset is used for scientific research, to the appropriate research council or committee for decision and such a decision shall be final.

### Revenue Requirements

Because the determination of what is and what is not scientific research is the final prerogative of research councils or committees, there is no legal precedent to which reference can be made. In practice the Inland Revenue frequently accept claims for revenue deductions under section 335 or for capital allowances under section 336 without much detailed inquiry, provided that it is reasonably obvious that the trade carried on is one which requires scientific research. The more obvious cases are trades such as drug and chemical manufacture, but it is always necessary to show that the expenditure satisfies the requirements of the Act.

Relief for scientific research expenditure is

only available where the expenditure is incurred for scientific research purposes. This gives rise to two requirements:

- (1) that expenditure must be incurred at the outset for a scientific research purpose.
- (2) that any asset acquired must be used exclusively for scientific research.

Expenditure met directly or indirectly by the Crown or any Government or public or local authority must be excluded from the claim. If, therefore, the scientific research is carried out under Government contract, only the amount of revenue expenditure in excess of the contract price is available as a deduction from profits. Further, if the contract is for the production of a prototype, the contract will undoubtedly ensure that such a prototype is Government property.

In consequence scientific research capital allowances are not available where an asset has been used for an industrial purpose and is transferred to a scientific research use, nor can such allowances be claimed where an asset is used partly for an industrial use and partly for scientific research. Further, revenue expenditure must be exclusively incurred for scientific research if it is to be allowed under section 335; it is, however, possible to claim a deduction under section 137, if though not exclusively of a scientific research nature the expenditure is incurred wholly or exclusively for the purpose of the trade.

### Prototypes

If a prototype is produced, scientific research capital allowances can be claimed in respect of the expenditure incurred in the production. There must of necessity be some activity in the field of natural or applied science, and the scientific research must be connected with the trade or class of trade before scientific research allowances can be claimed. Expenditure on assets used to produce a prototype will be available for scientific research capital allowances where the cost of producing the prototype is 'scientific research expenditure'. Further, the expenditure must be undertaken by or on behalf of the trader.

Where a prototype is produced which is

retained by the manufacturer and which has a life of more than two years, then the expenditure incurred in the construction of the prototype must be capital expenditure because the prototype is an 'asset or advantage of an enduring nature'. Such capital expenditure is available for investment allowance.

Not only material and labour expenditure incurred in the actual construction of the prototype, but the total expenditure incurred in producing the prototype for which allowances can be claimed, will include all the expenditure attributable to the project, such as design, drawings, models and laboratory tests. Further, if the prototype requires testing under normal working conditions, then the scientific research capital allowances will be available in respect of this expense.

It is a question of fact as to when a prototype is completed, and agreement with the Inland Revenue will be necessary in each particular type of trade. There may be a clear distinction between the expenditure incurred towards the completion of a prototype and the construction and testing of production models. In many cases the transition from prototype construction to production may not be very easily defined. For example, if a machine is developed for spray-painting railway coaches, the prototype will not be completed until the machine works satisfactorily under test, but if a production machine sprays the operator rather than the coaches, it is a moot point whether the expenditure incurred to correct this fault is a production or a prototype expense.

Bearing in mind that the capital cost of producing a prototype will be available for an investment allowance of 30 per cent and will be written off in the year of expenditure, the taxation advantage of classifying the expenditure as capital rather than revenue may be considerable. Further, the disadvantage due to the delay in writing off the expenditure usually arising where capital expenditure is concerned will not arise. It will be necessary to agree the allocation of expense with the inspector and to obtain his approval with regard to specific items of difficulty. Failing agreement, the inspector would be asked to refer the matter through Somerset House to the appropriate research council or committee.

### Assets used for Scientific Research

Scientific research expenditure of a revenue nature is allowed as a deduction in computing

profits by virtue of section 335, although it may not satisfy the *dictum* of Lord Davey in the case of *Strong & Co (Romsey) Ltd v. Woodifield*, that to be allowed, an expense 'must not only be for the purpose of the trade but for the purpose of earning the profits of the trade'.

Where assets are employed exclusively on scientific research, then the capital expended to provide the assets is available for scientific research capital allowances. The assets may be plant or buildings used in the performance of scientific research which were provided for that purpose. There need not be any process carried on if the expenditure was incurred exclusively for a scientific research purpose; for example, where a scientific research building is built at some distance from the factory, the cost of the road by which the scientific research employees approach the building and the cost of, say, an adjacent canteen for scientific research workers will be scientific research capital expenditure.

Expenditure on assets used to produce a prototype will be available for scientific research capital allowances provided the expenditure was incurred at the outset to provide an asset for the purpose of producing a prototype (which is, as explained above, scientific research). If the work undertaken is clearly scientific research (as the production of a prototype would be), then the expenditure on assets used for such a purpose is available for scientific research capital allowances whether or not the cost of producing the prototype is recovered by including a proportion of such cost in the price of each production model sold, or whether some Government or other agency agrees to pay for the development of this prototype.

### Conclusion

Without a fund of legal precedents on which to base claims to scientific research allowances, it is impossible to answer the question 'What is scientific research?' other than by reference to the facts of each individual case.

When consideration is given to the production of a commodity by mass production methods, it is almost impossible to determine where the scientific research, i.e. the completion of the prototype, ends and production begins because of the various intermediate stages involving pilot-plant and experimental production runs. While the appropriate research council or committee may ultimately make the decision, the individual taxpayer must make the best bargain he can with the inspector of taxes.

# The New Irish Companies Act

## CONTRIBUTED

THE Companies Act, 1963, of the Republic of Ireland became operative by Ministerial order on April 1st, 1964. It consists of 399 sections and thirteen schedules. A voluminous and admirably composed work, it repeals the older Acts of 1908, 1913, 1917, and 1959 in their entirety, and was stated by the Minister of Finance to be the biggest piece of legislation put forward since the establishment of the Republic. It is also probably the most important. It brings up to date Irish company law, which had previously tended to lag behind modern thinking, and in some clauses goes beyond the U.K. 1948 Act. The Government accepted the recommendation in the Report of the Company Law Reform Committee, 1958, that 'legislation in this country should not depart too far in its general principles from that in operation in Great Britain and Northern Ireland'.

Some of the more important provisions, of most significance to accountants, are summarized as follows:

### Parts I to IV: Incorporation, Capital and Registration

#### 1. *Ultra vires acts (section 8)*

Any such act done by a company in excess of its powers will 'be effective in favour of any person relying on such act . . . who is not shown to have been actually aware, at the time when he so relied thereon, that such act . . . was not within the powers of the company'. Any officer responsible is liable to the company for the loss sustained.

#### 2. *Alteration of objects (section 10)*

Alterations, not specifically restricted, may be made by special resolution without the need of approval by the Court. Dissenting shareholders or debenture-holders may apply to the Court to vary or cancel the alteration.

#### 3. *Business names (sections 21 and 22)*

(a) A company carrying on business under a name other than its corporate name must register in accordance with the Registration of Business Names Act, 1963, but an appeal lies to the Court against a refusal to register a name considered undesirable.

(b) When a company goes into liquidation within a year after changing its name, both names must appear on notices relating to the winding-up.

#### 4. *Holding companies (section 32)*

The 1959 Act (section 4) dealt with the practice, then relatively new in Ireland, of inter-company financing as between subsidiary and holding companies. Provisions in the new Act include (subsection (3)) permission for a subsidiary to continue to be a member if it had so been on May 5th, 1959, and to accept and hold (section 5) further shares in the capital of the holding company in prescribed circumstances.

#### 5. *Pre-incorporation contracts (section 37)*

Previously, contracts entered into by the promoters before the company's incorporation did not bind the company, but from April 1st, 1964, the company may ratify these contracts.

#### 6. *Prospectus requirements (sections 43-57)*

Considerable development in thinking, of special interest to accountants, is evidenced by these sections, as well as by a five-page Third Schedule, which details the particulars to be included. The minimum subscription must cover the purchase price of any property, the preliminary expenses, and the working capital, in so far as these items are not financed from other sources, in which case these sources must be specified. The contents of the memorandum of association need not be included in the prospectus.

Where previously, under the 1908 Act, the lists could be closed and allotments made immediately the prospectus had been issued, an interval of three days between the issue and the opening of the lists is now required. The nine-day time limit for revocation of applications for shares is carefully phrased. In the event of permission for quotation not being granted by the stock exchange within six days after closing the lists, the allotments will be void and subscriptions must be returned.

#### 7. *Redeemable preference shares (sections 64-65)*

The issue of redeemable preference shares, first permitted in the 1959 Act, is re-enacted and extended, power being given to redeem such shares first issued prior to May 5th, 1959, under certain conditions.

#### 8. *Share numbers (section 80)*

Much of the company registrar's tedious clerical chores is obviated by permitting the dropping of

distinguishing numbers when all the shares are fully paid up and rank *pari passu*.

### Part V: Management and Administration

This portion of the Act deals specifically with management and administration and makes several changes in required practice, generally in line with the U.K. 1948 Act, particularly where the Sixth Schedule prescribes new disclosures.

#### 9. Annual return (sections 125-127)

Filing requirements are simplified, in so far as only private companies are required to show transfers of shares. An annual return is not required for the year of incorporation, nor for the following year in certain cases, and the date for lodging the return is extended from twenty-one to sixty days after the annual general meeting. A company not having a share capital, however, is not obliged to file a return.

#### 10. Documents to be annexed to annual return (section 128)

This provision marks a significant change in Irish practice, since it requires not only the company's balance sheet and the directors' report, but also 'every document required by law to be annexed to the balance sheet', to be annexed to the annual return. Greatly increased knowledge will now be made available to the public, who may now have access to the profit and loss account with the new data laid down by the Fifth Schedule.

#### 11. Books of account etc. (sections 147-149)

Strange though it may seem to an accountant, there was no obligation on a company to keep books until this Act was made law. From now on each company must keep such books of account 'as are necessary to give a true and fair view of the company's affairs, and to explain its transactions'. They must at all reasonable times be open to inspection by the directors. For the enlightenment of auditors sometimes consulted about the disposal of ancient files, every record must 'be preserved by the company for a period of six years after the date to which it relates'.

Directors, be it noted, are made responsible for ensuring that proper books are maintained.

At this stage it is laid down that the balance sheet and profit and loss account shall comply with the requirements of the Sixth Schedule. This specifies, *inter alia*:

- (a) disclosure of capital and revenue reserves, provisions (including amounts set aside for future tax liabilities or for tax equalization purposes) under separate headings. Where

they show changes from previous years, the sources or the application of the movements must be shown. Reserves of banking or insurance companies need not be disclosed;

- (b) comparative balance sheet and profit or loss figures at the end of the preceding financial year must be shown;
- (c) the profit and loss account must reveal in detail such items as the interest on debentures or fixed loans, the taxation charges, income from investments, and auditors' remuneration, including expenses. These may be shown by way of note;
- (d) a capital surplus arising on the revaluation of unrealized fixed assets may not be distributed in dividend but may be used in paying up certain unissued shares.

#### 12. Group accounts (sections 150-154)

The post-war years have enhanced Irish industrial development and with it the increase in the number of interrelated companies to an unprecedented extent. Previously their activities were relatively uncontrolled by law, but now it is intended to maximize the information as to the group's financial arrangements to be made available to shareholders. Companies with subsidiaries are now obliged to prepare group accounts for submission to the annual general meeting together with the parent accounts. A private company which is a holding company has the option of giving the individual accounts of the subsidiaries to its members on demand. The financial year of each member of the group must end on the same date, a provision which may involve some headaches for Irish accountants in the transitional years.

Part Two of the Sixth Schedule embodies the special provisions.

The Minister is authorized by section 395 of the Act to alter or add to the requirements of the Act or of the Sixth Schedule, a provision which enables him to maintain continuity with developments in financial or accounting techniques in the future.

#### 13. Documents with balance sheet (sections 156-159)

The profit and loss account and balance sheet must be signed by two directors on behalf of all the directors.

The new trend of adding explanatory tables, whether they be 'cut-the-cake' plans or statements of shareholders' interests or the like, will probably be encouraged by subsection (4) of section 156, which 'shall not prohibit the issue' of fair and accurate summaries.

A directors' report must be attached thereto reporting to the shareholders on the administration of the company's affairs, the amount recommended for dividends, the amount proposed to carry to reserve, an indication of any changes in the nature of the business, and a list of subsidiaries and of companies in which a shareholding of more than 20 per cent in nominal value of shares carrying voting rights is held. Companies principally engaged in the acquisition or underwriting of shares or securities may be exempted by the Minister from the last provision.

While these are obviously the minimum requirements they may perhaps encourage directors to depart from the present all too prevalent practice of making their reports merely a re-hash of the appropriation account.

Shareholders and debenture-holders should be sent copies of the foregoing documents at least twenty-one days before the annual general meeting.

#### 14. *Appointment and remuneration of auditors (sections 160-162)*

These sections bring requirements broadly into line with the U.K. 1948 Act. In addition to the existing obligation on companies to appoint an auditor, a retiring auditor shall be reappointed without any resolution being passed unless he is not qualified for reappointment, or gives written notice that he does not wish to be reappointed, or a resolution has been passed at the meeting appointing somebody else instead of him or providing expressly that he shall not be reappointed.

The auditor's remuneration shall be fixed by the directors (in cases where he is appointed by the directors) or else by the company at the annual general meeting.

A person other than the retiring auditor may not be appointed unless 'extended notice' is given.

No person shall be qualified for appointment as auditor of a company unless he is a member of a body of accountants for the time being recognized by the Minister, or is authorized by the Minister to be so appointed, as having obtained similar qualifications otherwise than from such a body, or as having obtained adequate knowledge and experience in the course of employment by a member of a recognized body of accountants, or as having practised in the State as an accountant before the operative date.

These provisions are sufficiently carefully phrased to cover all ordinary requirements.

An officer or servant of the company, a body corporate, or a person who is a partner or in the

employment of an officer or a servant of the company, is not qualified for appointment as an auditor. The last provision does not apply to private companies.

Auditors holding appointments as directors of companies have already taken appropriate action with regard to this provision.

#### 15. *Auditors' report (section 193)*

In view of the additional specifications as to the form and contents of balance sheets and group and ordinary profit and loss accounts, as mentioned already, it is clear that the style of auditors' report which derives from the 1908 Act is inadequate. The Seventh Schedule provides new phraseology under three main headings. In addition, in the case of a holding company submitting group accounts, the auditors are required to state whether in their opinion the accounts have been properly prepared in accordance with the provisions of the Act, so as to give a true and fair view of the affairs of the company and its subsidiaries dealt with thereby.

#### 16. *Inspection (sections 165-173)*

A company may by special resolution require the Minister to appoint an inspector to investigate its affairs and to report thereon. Applications by not less than one hundred members, or by a member or members holding not less than one-tenth of the share capital in the case of a company with share capital, will suffice. The Minister on his own initiative may appoint an inspector if there are circumstances suggesting that the company's business is being conducted fraudulently or in an oppressive manner, or that members have not been given all the information they might reasonably expect. The inspector's powers have been substantially enlarged, e.g. to extend his investigation into the affairs of related companies.

#### 17. *Directors (sections 174-184)*

Every company must have at least two directors and a secretary. A body corporate may not act as a director. A director must obtain his share qualification within two months of appointment on penalty of vacating his appointment.

Directors must be appointed by individual vote, and not *en bloc*, unless an unanimous resolution to that effect has first been agreed to by the meeting. A director may be removed from office by an ordinary resolution provided extended notice has been given. An undischarged bankrupt cannot act as a director except with the approval of the High Court. On the conviction of a person indicted of any offence in connection with company affairs, the High Court may prohibit



him from being concerned in the management of any company thereafter for such period as the Court decides.

**18. Payments to directors (sections 185-188)**

Remuneration of directors free of income tax or surtax is forbidden unless under a contract in force on March 21st, 1962, providing expressly therefor. Compensation for loss of office, or on retirement, requires to be approved by the company in general meeting, as must also compensation payments arising out of the transfer of property or of shares. In this context, in his subsequent Budget speech on April 14th, the Minister expressed his intention of making 'golden handshakes' of any nature assessable to tax in future.

It is clear that directors' perquisites are coming under strict scrutiny. A permanent register, open to members' inspection, must be kept of their dealings in shares and debentures, and the accounts of the company must disclose full particulars of their emoluments, pensions, compensation for loss of office, expense allowances, and the 'estimated money value of any other benefits received by (them) other than in cash'. Loans made to directors must be shown in the accounts.

**19. Particulars regarding directors and secretaries (sections 195-196)**

Directors' names and nationalities (if not Irish) must appear on business letters, and particulars of secretaries must be included in returns.

**Part VI: Winding-up Procedures**

20. This part deals with winding-up procedures and the liquidator's powers and responsibilities. While portions of the 1908 Act are re-enacted there are new sections which follow the lines of the U.K. 1948 Act. The filing in Court of statements of affairs, verified by affidavit (section 224), and the provision for the appointment of a committee of inspection to act with the liquidator in a compulsory winding-up (sections 232-233) are noteworthy.

21. A voluntary winding-up by the members will only be permitted when a majority of the directors make a statutory declaration to the effect that the company will be able to pay its debts within twelve months. If, on the contrary, the company appears to be insolvent, the creditors take control; the provisions for a creditors' winding-up (sections 256-273) are new and very precise.

22. Preferential debts have been rearranged, with special priorities for Workmen's Compensation, holiday pay and wages (section 285).

**Parts VII to XV**

23. Part VII contains new provisions concerning receivers. The parts VIII, IX and X, largely re-enactments, deal with companies registered under previous Acts and the winding-up of unregistered companies while parts XI to XV cover details of companies registered outside the State, restrictions on sales of shares, and general provisions.

## Weekly Notes

### EXERCISING A PURCHASE OPTION

THE Inland Revenue have persuaded the Court of Appeal to reverse the decision in *Varty v. British South Africa Co.* The company was a dealer in investments, as well as holding investments for the income from them. In consideration of lending money it was granted an option to acquire 100,000 shares by subscription at £1 per share, as well as a raising fee of 2½ per cent, and interest at 6 per cent. The shares were worth only 19s 6d at that time. Two years later the value had gone up to 43s 6d a share and the company exercised the option, thus acquiring, for £100,000, shares worth more than twice that amount. Now the option was part of the company's stock-in-trade. Was its exercise a realization of that stock, so as to produce a profit to be included in the company's Case I

computation? Or were the 100,000 shares also stock-in-trade which the company could credit at cost?

The Special Commissioners, Wilberforce, J. and (at first) the Court of Appeal all held that no profit was realized. However, a majority of the Court of Appeal changed their mind. After hearing further argument they held that the exercise of the option was just as much a realization as if the option had been sold or exchanged for some other shares. Dissenting, Danckwerts, L.J., said that no profit had been realized; the shares might go up or down subsequently and the reality was that nothing had been sold.

The company obtained leave to appeal to the House of Lords.

### ST MARTIN PRESERVING CO LTD

IN our issue of May 16th, we reported that the Divisional Court, on the application of St Martin Preserving Co Ltd, had ordered the Board of Trade to investigate the affairs of that company pursuant to

section 165 (a) (i) of the Companies Act, 1948. We also reported that a receiver and manager of the company, appointed by a bank in 1963, had reconstituted the board of a subsidiary of the company, making himself a director of that subsidiary, and had rejected a request by the company for certain information.

Mr S. R. Hogg, D.S.O., M.C., F.C.A., the receiver and manager in question, has asked us to mention the fact that he circularized the shareholders of the company on June 12th last. In that circular, among other things, he denies that he refused to give any information to the company. He points out that he was not a party to the Court proceedings and therefore was not in a position to dispute certain evidence put forward by the company. However, he supported the application for a Board of Trade investigation, he welcomes the appointment of an inspector, and will give him every assistance. As announced in our issue of June 6th, Mr J. D. Russell, M.A., F.C.A., has been appointed inspector.

#### FINANCING THE BUSINESS SCHOOLS

THE business community is being asked for £3 million to finance the first large-scale plan in Britain for management education. The proposal is put forward jointly by the Federation of British Industries, the British Institute of Management and the Foundation for Management Education on the basis of specially prepared studies and in consultation with people and organizations from all sides of business life and with the Government and the universities.

The underlying concept is that of active partnership of the business community with the Government in the cost of the plan and with the universities in the education to be given. This, it is believed, is the necessary basis for the sound growth in Britain of education for the practical responsibilities of management.

The willingness of the Government and the universities to act in partnership with business has now been confirmed. The Government had previously undertaken to provide equal funds with business for certain university projects and has announced its readiness to do the same in the project for two British Business Schools.

Launching the appeal this week Lord Nelson of Stafford stated that the fund had already been started by the Shell organization with a donation of £150,000. He added that support on a similar scale had been promised by other companies.

Lord Nelson said that £2.2 million was needed as industry's contribution to the establishment of the two business schools in London and Manchester. Another £400,000 was required to support existing management training projects approved by the Foundation for Management Education, and a similar amount would go to a development fund for extending work already undertaken in this field by universities and colleges.

#### INSTITUTE OF ACTUARIES' ANNUAL MEETING

IN his address to the annual general meeting of the Institute of Actuaries last week, the retiring President, Mr K. A. Usherwood, M.A., F.I.A., referring to education for the profession, said that a committee of the Institute and of the Faculty of Actuaries was examining the report and recommendations of the Robbins Committee on Higher Education, to which they had given evidence. It seemed to him that the implementation of the proposals must mean that a much higher proportion of the entrants into the Institute would be drawn from the universities in competition, of course, with other professions. He also felt that arrangements might perhaps be made for some of the Institute's subjects of instruction to be organized at selected universities on lines similar to those which already obtained with the London School of Economics. This should have the double advantage of attracting the attention of suitable young men and shortening materially the period between graduation and the attainment of the professional qualification.

Referring to the recent International Congress of Actuaries (reported in *The Accountant* of May 30th), Mr Usherwood said that the choice of subjects had provoked a substantial number of papers and interesting discussions. A particular feature had been the introduction of national reports, which were especially valuable in emphasizing both the similarities and differences which existed within the profession in different parts of the world.

#### THE CHARM OF STAPLE INN

IN all the hundreds of years since London was built, it has not been able to sweep its roaring tide over that little island of quiet. So wrote Nathaniel Hawthorne, of Staple Inn, more than a century ago and, miraculously, it is still above water. In 1886 it was touch and go but, thanks to a magnificent gesture by the Prudential Assurance Co Ltd, who bought the site when it was put up for public auction, the preservation of the Inn in its present form seems permanently assured.

The Institute of Actuaries which, by this act of grace, came to occupy the precincts has just published a brochure, written by Mr M. E. Ogborn, to mark the occasion of the recent Seventeenth International Congress of Actuaries held in London and Edinburgh concurrently. He traces with appreciation and understanding the three phases of the Inn - firstly, its medieval renown as a marketing centre for the wool trade during the fourteenth century; secondly, its connection with the law as an independent Inn of Chancery and then through its association with Gray's Inn; and, thirdly and finally, after a somewhat indeterminate intermediate existence, as the headquarters of the Institute of Actuaries.

Only a few traces of the earliest buildings remain

and these, strangely enough, are in the form of some stained glass. Time and the ravages of war have accounted for most of the rest of the original structure but, in compensation, the subsequent reconstruction work has been carried out with exceptional care and consideration for the continuity of what was best and most beautiful. In 1955, the Institute of Actuaries resumed occupation of the Hall, rebuilt after destruction by a flying bomb in 1944, when as much as possible had been salvaged and replaced. Today the Inn, fortunate both in its landlords and its tenants, stands as an enchanting example of London's dwindling architectural heritage.

### FOOTBALL COUPONS AND PURCHASE TAX

THE House of Lords has dismissed the Customs and Excise appeal in the case of *Commissioners of Customs and Excise v. J. & C. Moores Ltd* (*The Times*, June 18th).

The case concerned football pool coupons which were admitted to be 'stationery' and therefore chargeable to purchase tax on the wholesale value. The purchase of the coupons by H. Littlewood Ltd from the respondents was admitted to be a chargeable purchase. The question at issue was what was the wholesale value of the coupons, as defined by section 21 of the Finance (No. 2) Act, 1940, which, broadly speaking, provides for an 'open market' valuation, on a hypothetical sale to a retail trader for resale by him retail.

Now the printing of the coupons with fixture lists was a use of the copyright vested in the Football League, and large sums were paid to the League for this facility. The Commissioners had claimed that this fact added to the value of the coupons for purchase tax purposes. Their claim found favour with Megaw, J., in the High Court, but the company successfully appealed to the Court of Appeal. That Court's decision that the copyright element be ignored has now been upheld by the final tribunal.

Lord Reid said it was quite impossible to suppose any retail trader other than Littlewoods would buy these particular coupons. What the Commissioners ought to have assumed was a series of tenders made to Littlewoods by competing printers. On that footing there was no possible ground for adding anything for the copyright element.

### OVERSEAS TRADE . . .

THE latest issue of the Bank of England *Quarterly Bulletin* does not throw any new light on the state of the economy, or on official thinking about future policy. It believes that both the public sector and companies are likely to be heavy borrowers, with persons and possibly the overseas sector providing most of the finance needed. The former will be able to meet the Exchequer requirements out of

current savings as incomes continue to rise. Hence it is unlikely that there will be any downward pressure on interest rates as a result of official selling in the markets.

Main interest inevitably centres on the overseas trade figures. According to the *Bulletin*, the visible trade deficit increased from £33 million to £105 million between the final quarter of 1963 and the first quarter this year. Much of the deterioration was due to the very bad January export figures, but imports were 7 per cent higher as compared with an increase of only 2 per cent in exports as between the two quarters. Perhaps the most disturbing feature was what the *Bulletin* refers to as the 'notable' rise in the imports of finished manufactures, especially capital goods such as machinery and ships.

The May figures of overseas trade announced last week reveal a slightly more encouraging picture, of course. Exports at £370 million were only £3 million below the all-time March peak, with imports slightly lower at £450 million. The monthly deficit, seasonally adjusted, was estimated to be only £20 million. Taking the last three months, there are signs of a rising trend of exports while imports are not expanding at the striking rate so evident earlier in the year. Nevertheless, gratifying as such signs of an incipient export boom may be, they are put into their proper perspective by the *Bulletin's* review of conditions overseas. Economic expansion in the United States, notes the *Bulletin*, is now in its fourth year and shows no sign of ending, while in Western Germany a persistently strong export demand and some revival of industrial fixed investment are in evidence.

### . . . AND OVERSEAS FINANCES

TWO articles in the *Quarterly Bulletin* reflect the growing body of statistical information available on Britain's overseas financial interests. There are still considerable gaps, both in respect of capital as well as revenue items, relating to the affairs of those in the foreign investment market, but a fairly clear picture of the state of affairs can now be put together. The first article outlines the role of the United Kingdom banks in the expanding foreign currency business, not least the market for what are known as Euro-dollars. It is estimated that at March 1964 total liabilities of £1,308 million, of which £1,107 million were in dollar liabilities, were almost matched by total United Kingdom claims of £1,262 million, of which £1,005 million were dollar claims.

The article explains that the London accepting houses and overseas banks are especially well equipped to deal in this market. The number of banks involved is about one hundred and thirty, but the bulk of the business is done by about forty of them. Since 1958 and until quite recently there has been an almost uninterrupted growth in the volume of such business. A very high proportion of overseas money which comes to Britain is lent overseas; there is, in other words, very little switching into

sterling. Such lending has helped to reduce interest rates in the main borrowing countries and has, states the article, probably added to the total funds available for the finance of international business.

Another short article continues the statistics published in the June 1963 issue on United Kingdom overseas portfolio investments. Revised figures for 1961 and 1962 reflect the statistical deficiencies of such estimates. These investments comprise the holdings of United Kingdom residents in overseas government and municipal loans as well as overseas registered companies. Net new investment by United

Kingdom residents recovered sharply in 1963 as the result of increased borrowing by Commonwealth governments in the London market. Such loans totalled some £29 million. There were larger acquisitions of United States securities, financed partly by the sale of Canadian and South African securities.

Interest and dividends from such investments in 1963 totalled £99.7 million, of which £67.8 million was in share dividends. These figures are slightly lower than those of the two preceding years. Nevertheless, they reaffirm the continuing role of the British investor in the world's business and trade.

## *This is My Life . . .*

by An Industrious Accountant

### CHAPTER 230

WE used to have a big old records room, as it was called, on the first floor at the rear of the redbrick building from which the present firm has grown. Into its gloomy recesses, on crude wooden shelves lining the walls, in tea-chests labelled with fading block-lettering, in brown-paper parcels tightly corded, went all the paper work of the office that might need preservation. We rarely entered it except to dump further bundles. To search in it was reminiscent of ancient ghost stories, of Dracula's body in his open coffin, or the lost bride of the Mistletoe Bough. True, it was regularly swept and garnished by a junior porter, but the atmosphere of long-leggity beasties and things that go bump in the night persisted always.

Finally, I decided to organize a clearing-up operation. The chairman had inquired for some old correspondence about our title deeds, years before my time, and we had utterly failed to find it. So after much preliminary opening of windows, and cleaning of shelves and corners where the porter's feather duster hadn't reached, an advance-guard moved in. The terms of reference were a minimum 50 per cent reduction in bulk and a first-class index of the remainder.

It was odd how the job had a sort of magnetic attraction. The office manager, always a good man to organize improvements, was nominally in charge, but all sorts of senior executives, including most of the directors, dropped in for a look around. I suppose everyone has experienced the thrill of rummaging through old attics or trunks, with memories of Robert Louis Stevenson or Rider Haggard, and they delved and poked about with the utmost enjoyment.

The office manager was lost in thought over a bundle of pre-war wages books, with the weekly divisions and the cutaway pages designed to save

rewriting the names. He'd found his own name as a junior in his first year . . . 'Lor, what a raw kid I was in those days' . . . the older men clustered round with pointing fingers. 'That's old Johnny, remember him as senior cashier in 1925' . . . 'That's Bill Simpson, he was always champion on sports days (why don't we have sports days now?)' . . . 'Poor Betty, she died in the Wrens' . . .

I was more interested in some of the wage rates. Did men really marry and bring up families on such tiny emoluments back in the twenties and thirties? How on earth did they pay their way? There were a couple of old wages books from the first decade of the century revealing startling material here for a thesis on the textile trade, on the people at the bottom rather than on the balance sheets. Just then the office manager shook off his reverie and got the team working. We planned to keep representative samples and scrap the remaining books; the thesis faded away.

The old purchases and sales journals followed suit. High two-columned handwritten sales day-books were pounced on by the departmental men . . . 'look here, Stan, men's three-piece suits for forty-nine shillings!' We had to shut the door finally to keep them out.

The accounts section, naturally, provided the most laborious work. Parcel after parcel of old paid cheques, retained originally as a precautionary measure, or bound bundles of purchases invoices, were scrapped. The senior ledger clerk explained that the auditors liked us to keep them for six years. 'Statute-barred, or something', he said vaguely. 'The Revenue Commissioners might want to see them; you never know'. Four tea-chests full of duplicate sales invoices and ancient cash-books followed them to the back-yard incinerator.

We kept the old brass-locked private ledgers. I found an elaborate ink-stand that once stood on my penultimate predecessor's desk, with penholders and a slotted stand for rubber stamps. The dry cork still remained in the red-ink bottle. I wondered momentarily if a genie, knowledgeably loquacious of our long-lost financial secrets, would emerge cloudily if I pulled out the cork. If he could tell the full stories behind the spidery dry-as-dust entries that thesis would be worth reading.

# Reviews

## Intermediate Accounts and Book-keeping

by L. W. J. OWLER, F.C.I.S., F.H.A., A.C.W.A.  
(Macdonald & Evans Ltd, London. 10s 6d net.)

Teaching students the elements of double-entry book-keeping is the foundation of accounting practice. If one were writing a textbook on accounting this would not be enough, because the picture is incomplete without a philosophy defining the purpose of accounting.

This, however, is not the purpose of this book, which has the more limited aim of what is described as 'paper back working text' for use either by students working on their own or by classes working under supervision.

In the result we have a potted study of the major points found in practice to be difficult for intermediate examinees, which will prove of undoubted use as a revision manual, especially as it is convenient for slipping in a pocket. A basic knowledge, gained doubtless from a study from one of the more standard and exhaustive works, is assumed, and many explanations are therefore incomplete in themselves: for example the trial balance is reached in page five.

There are some very useful remarks on incomplete records, and on such subjects as departmental and branch accounts, returnable packages and loss of profits insurance claims, among which are many knotty problems for accountancy students.

One would accept the publishers' claim that these are study notes designed to help students to revise for examinations, but could be allowed to doubt whether the book would be sufficient by itself to enable full preparation to be made for one of the most important parts of the syllabus of professional training studies.

## Contemporary Accounting Problems

by LEONARD E. MORRISSEY, C.P.A. (Prentice-Hall International, London, 68s net.)

The American Institute of Certified Public Accountants has already published a series of case studies on auditing procedures which has rewarded close study by all thinking practitioners. This new book focuses rather on the validity of corporate financial reporting.

Professor Morrissey takes sixty different cases occurring in the United States and, starting from the position outlined by Mr M. G. Eaton in a discerning contribution to the *Journal of Accountancy* in 1957 entitled 'Financial reporting in a changing society', he analyses the process by which accounting principles become generally accepted and the extent to which the profession understands its own principles so that

there is a common agreement on terms and rules.

Many of these cases have been used in classwork at the Harvard Business School and at Dartmouth College. After the general introduction dealing with underlying concepts and conventions, each of a number of aspects of corporate accounting is examined and illustrative cases are cited, with some pretty searching questions for the reader to ponder. The sections examine financial statements (including funds statements), income tax reporting, revenue and income, cost determination and allocation, price-level adjustments, stock options, shareholders' equity and the classification of deferred income taxes.

Readers in England will need to make allowance for differing legal views on accounting matters, but the studies make fascinating reading, and enable those unacquainted with the Accounting Research Bulletins of the A.I.C.P.A. to appreciate the thoroughness with which they cover their subjects, as these are quoted extensively.

It is very interesting to note how frequently the names of such internationally known American accountants as George O. May, Perry Mason and Maurice Moonitz occur in references to other works and articles. It is a pity, however, in such cases that in view of the similarity of situations often encountered in the United Kingdom one does not meet the names of British leaders of professional accounting thought in the bibliography or see any references to the Recommendations on Accounting Principles or the Statements on Auditing of The Institute of Chartered Accountants in England and Wales.

It is good to see that in the U.S.A. entrants to the profession and to the business world are being asked to consider fundamental problems in a manner that precludes the acceptance of what is done merely in the name of common usage without challenging its validity in the context of proper and universal standards.

## Essentials of Economics

third edition, by I. GLYN JONES, M.A. (Gee & Co (Publishers) Ltd, London. 35s net. Post free (inland) 36s 3d.)

It is almost ten years since the previous edition of this book appeared and inevitably there have been some changes in its content. Nevertheless, it adopts what may be described as a classical approach to the subject by examining the various factors of production and the effects of the market economy upon them, while a substantial part of the book is devoted to money and banking as well as international trade. Many examinees will doubtless welcome this work, which sets out the pros and cons of different policies concisely and facilitates the learning of basic economic principles. Whether the average teacher of economics would approve of its somewhat didactic approach is another matter. But for those examinees who like their books brief and to the point, this book will no doubt have strong attraction.

**Applications of O. & M.**

edited by G. E. MILWARD for the Organization & Methods Training Council. (Macdonald & Evans Ltd. London, 35s.)

This book consists of twenty-six case studies of the application of O. & M. methods made by the original nine companies in the United Kingdom, who formed the Organization and Methods Training Council with those who joined later. It is the second such volume: the first (in 1959) found it difficult to reconcile the differing experiences of the nine companies which on the face of it were conflicting. This volume tried to achieve a reconciliation before summarizing the cases by dealing with cycles, thereby ignoring short-term differences in favour of global similarities.

Each of the case studies has been drafted and tested by groups of twenty companies. They deal with procedure, duplicating forms design, office mechanization and layout, supervision, work quality, payroll, stores control, purchasing, personnel and so on. There are useful studies of management information and management services which must be of interest to those studying for the new post-qualification examinations.

There is also a study of statistical sampling, about which the editor states that this was one of the most difficult to put on paper because most men have not enough mathematical knowledge to enable them to look with anything but horror at the formulae produced by statisticians, while few statisticians seem able to discuss the application of their subject in the simple terms needed by those who have been badly taught (or not taught the subject at all). This is indeed the problem of most accountants in the use of statistical sampling in auditing. The problem of statistical terminology is also mentioned.

Each study contains a table setting out a 'cycle of operations' and is simple to understand. The study of 'considerations on installing punched-card equipment' is particularly appropriate to study by accountants.

**Statistical Sampling for Accounting Information**

by RICHARD M. CYERT and H. JUSTIN DAVIDSON. (Prentice-Hall International, London. 76s.)

The application of statistical sampling techniques to accounting work is of comparatively recent growth and here we have a book written by two authors who have made a particular study of their subject, and based on a correspondence course used to train senior accounting employees of the Gulf Oil Corporation, expanded for training purposes by Touche, Ross, Bailey & Smart in America.

The introductory justification of statistical sampling is well written and convincing, but the knowledge of algebra required to follow the testing techniques is likely to prevent this book being so widely used as the authors would claim. For wider use, probably Professor Arkin's recent book on the same subject is more suitable.

It is also possible to criticize the relevance of this

technique for universal application to auditing, especially with the growth of 'depth' auditing. In this context its application will surely be limited to initial selection in a chosen population so as to ensure scientific coverage rather than as a method of achieving a level of error tolerance which many auditors would reject as a wrong philosophy anyway. For internal auditing, which is intended more as a protection against fraud and clerical error, these criticisms are less true, however, and it has been found by experience in America that in this field the technique is an efficient one.

For good internal management and as an aid to systems design the ideas in this book are well worth studying, along with others on the same subject.

**World Monetary Reform: Plans and Issues.**

edited by HERBERT G. GRUBEL. (Stanford University Press, California. London: Oxford University Press. 60s net (U.K. only).)

This is a most useful symposium of twenty-four essays by the world's leading authorities on international monetary affairs, in the main British and American. Many of the essays have appeared in journals which are not easily accessible and their appearance in this particular volume is for that reason alone to be welcomed.

The co-ordinating theme of these various essays is the reform of the world's monetary system, an issue which has been exercising the minds of both economists and politicians for some years past. In fact, all the essays were written in the period 1958-62. They range from the explanatory to the advanced. But on the whole the bulk of them could be understood by the intelligent lay reader without any formal training in economics.

For anyone wishing to understand what the problem of world liquidity is about, why it is important to have an international monetary system, the nature of the gold exchange standard, and other relevant matters, this book can be strongly recommended. It will certainly be greeted with delight by students.

**Forgery Detection - a Practical Guide**

by WILSON R. HARRISON, M.Sc., Ph.D. (Sweet & Maxwell Ltd, London. 21s net.)

Accountants do from time to time have cause to investigate fraud - perhaps less often than might be gathered from a perusal of some of the older legal cases involving the responsibilities of auditors.

Usually the terms of reference of the investigating accountant confine him to an accounting analysis, but even then a basic knowledge of how to detect forgeries can be most useful.

In this most absorbing and interesting survey, copiously illustrated, Dr Harrison explains how the great majority of forgery is amateur in nature and may be detected quite simply, with no expensive equipment, by the ordinary intelligent investigator. Dr. Harrison states that his illustrations, however

sound and factual, are no substitute for actual experiments on the part of the reader, and he proceeds to explain exactly how such experiments should be made. This is an absorbing and exciting study of an unusual subject, which will repay study by anyone who may find himself involved in this sort of examination of documents.

### Economic Planning: The French Experience

by PIERRE BAUCHET. Translated by DAPHNE WOODWARD, with an introduction by Sir ROBERT HALL. (Heinemann Educational Books Ltd, London. 35s net.)

It is common knowledge that the National Economic Development Council owes much to the French example, while the decision to establish it certainly owed everything to the success which accompanied the early years of the French planning experiment. This is not the first study of the French experiment, nor is it necessarily the best in its valuation of its effects and achievements. The main interest in this work lies in the fact that it is written by one who has been closely associated with the French planning experiment and who gives in this study a detailed account of the *modus operandi* of national economic planning, as distinct from a mere catalogue of theoretical virtues which planning, according to some writers, will inevitably generate. It is thus of especial interest to the administrator in the public corporation and the Government.

### RECENT PUBLICATIONS

GENERAL PRINCIPLES OF ENGLISH LAW, by P. W. D. Redmond, LL.M. M & E Handbook Series. xii+315 pp. 7½×5. Card covers. 12s 6d net. Macdonald & Evans Ltd, London.

MANAGEMENT ACCOUNTING IN PRACTICE, by F. Clive de Paula, T.D., F.C.A., F.C.W.A. viii+184 pp. 9×6. 22s 6d net. Sir Isaac Pitman & Sons Ltd, London.

RESTRICTIVE TRADING AGREEMENTS IN THE COMMON MARKET, Texts-Commentaries, by Alan Campbell, M.A.(CANTAB.). xv+228 pp. 10×6½. £1 17s 6d net (U.K. only). Stevens & Sons Ltd, London.

ADVANCED COST ACCOUNTANCY, second edition, by J. E. Smith, A.C.W.A. and J. C. W. Day, B.COM.(LOND.), F.A.C.C.A. 184 pp. 9×6. 25s net. Post free (Inland) 26s. Gee & Co (Publishers) Ltd, London.

PERSONNEL MANAGEMENT AND INDUSTRIAL RELATIONS, fifth edition, by Dale Yoder, PH.D. xviii+667 pp. 9½×6½. 55s net. Sir Isaac Pitman & Sons Ltd, London.

THE SUBSTANCE OF ECONOMICS FOR THE STUDENT AND THE GENERAL READER, sixteenth edition, by H. A. Silverman. xv+215 pp. 9×6. 25s. Sir Isaac Pitman & Sons Ltd, London.

SIMPLIFYING OFFICE WORK: An Introduction to O. & M. Techniques for Management, by Oliver Standingford, F.B.I.M., F.I.O.M. vii+144 pp. 9×5½. 16s net. Sir Isaac Pitman & Sons Ltd, London.

THE MANAGEMENT OF THE BRITISH ECONOMY 1945-60, by J. C. R. Dow. The National Institute of Economic Research. xix+443 pp. 9½×6½. 60s net. Cambridge University Press, London.

NETWORK ANALYSIS FOR PLANNING AND SCHEDULING, by A. Battersby, B.SC., F.R.I.C. 218 pp. 9½×6½. 42s net (U.K. only). Macmillan & Co Ltd, London.

These books may be obtained from, or through, Gee & Co (Publishers) Ltd, The City Library, 151 Strand, London WC2.

## Finance and Commerce

### Marks & Spencer

THE accounts of Marks & Spencer Ltd, which form this week's reprint, are notable for the property revaluation written into the balance sheet. Also for the fact that Lord Marks, in his statement with the accounts, provides shareholders with a view of the comments made by Healey & Baker and Hillier, Parker, May & Rowden who carried out the property revaluation.

The company's 238 freehold and leasehold properties were valued at £97,505,000 at March 31st, 1964, to show a surplus of £33,389,000 on book values. That figure is taken to capital reserve, and £17,913,026 is being capitalized in the form of one 'A' ordinary share for each two ordinary and/or 'A' ordinary in issue.

The new valuation puts Marks & Spencer's sales and profits into true perspective in terms of sales and

earnings per true capital employed. Sales in the year to March 31st rose to £201,494,000 - an increase of £16,600,000 on 1962-63 - and net profits after tax were up from £11,105,000 to £12,220,000.

### Successful Policy

Lord Marks tells shareholders that in their report the valuers said:

"This magnificent chain of stores, which has taken many years to build up forms not only a very valuable and outstanding retail group but one that in our view would be impossible to repeat under modern economic conditions. During the period since 1955 (the last revaluation) the group has been even further strengthened by the improvement, whenever possible, of the tenure under which every property is held and this, in our opinion, bears evidence of the wisdom of the policy pursued by your company.

"The capital expenditure incurred on such acquisitions and on new buildings, extensions and improvements has been very substantial, but as the valuation figures show, the benefits, in our opinion, have been even greater and the wisdom of the policy amply confirmed."

Naturally enough, Lord Marks welcomes 'this independent judgement of the success of our policy'. The company, it should be acknowledged, has a considerable reserve of important and outstanding



properties which have yet to be developed. The extent of that reserve can be appreciated from the fact that it will take some four to five years at the present rate of building to carry out the current development programme which will involve an investment of £20 to £25 million.

### Self Financing

Marks & Spencer has always been a self-financing company. The only outside funds introduced into the company since the war was a private placing of £5 million of 5½ per cent Debentures in June 1960.

The company's policy of ploughing back profits has enabled the acquisition of important sites and the financing of their development, very largely without recourse to outside borrowing. Trading profits benefit 'very substantially', Lord Marks says, 'because the company does not pay interest on this massive property investment.'

For the time being, the main development emphasis is on developing present stores where the company has traded successfully for many years but this does not necessarily rule out the acquisition of good sites in other towns where there is as yet no representation. For Marks & Spencer, however, the new site has to be exactly right.

Just how this policy has paid in terms of sales and earnings is shown in the ten-year statement – which is incorporated in the reprint – coupled, of course, with Marks & Spencer's particular attention to operational economy.

Another point in the Marks & Spencer report is that this is the first time that the chairman's statement has been included with the accounts.

### Advertising Costs

ONE of the facts of life in what this age is pleased to call a sophisticated society is set out plainly in Mr Paul Cadbury's statement to shareholders in The British Cocoa and Chocolate Co Ltd. 'Heavy advertising', Mr Cadbury says, 'is a necessity for firms selling consumer goods if they are to secure the benefits and economies of mass production'.

In 1963 the group spent £7 million on new plant and machinery, and advertising is essential to keep sales up and to provide the 'long runs' necessary if lower costs are to be achieved. With fewer newspapers, posters and hoardings controlled by planning regulations and fewer people going to the cinema, television advertising has become essential.

Last year, group spending on advertising rose by 5 per cent without any increase in the newspaper or poster space or television time taken. Since 1959 the cost of all advertising has increased by more than 24 per cent and the advertising bill will go up further this year in all probability.

But – and this is the crucial comment from Mr Cadbury – 'the increased cost of media unquestionably affects the value of the goods advertised, but if the advertising is dropped or reduced other costs will rise, as the throughput of plant is reduced by a lowered demand'.

### MARKS AND SPENCER LIMITED

#### 10 YEAR STATEMENT

	YEAR ENDED 31st MARCH									
	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
	£	£	£	£	£	£	£	£	£	£
SALES ... ..	108,375,000	119,400,000	125,012,000	130,429,000	134,449,000	148,023,000	166,501,000	172,826,000	184,878,000	201,494,000
PROFIT BEFORE TAXATION ...	9,268,000	10,130,000	12,806,000	14,143,000	15,059,000	17,806,000	20,495,000	21,335,000	22,455,000	25,070,000
TAXATION ...	4,800,000	5,175,000	7,200,000	7,950,000	7,350,000	8,725,000	10,200,000	10,800,000	11,350,000	12,850,000
NET PROFIT AFTER TAXATION ...	4,468,000	4,955,000	5,606,000	6,193,000	7,709,000	9,081,000	10,295,000	10,535,000	11,105,000	12,220,000
DIVIDENDS (NET)	2,365,000	2,660,000	3,181,000	3,441,000	4,132,000	5,384,000	6,381,000	7,013,000	7,745,000	8,567,000
FUNDS RETAINED IN THE BUSINESS										
PROFIT RETAINED ...	1,983,000	2,145,000	2,230,000	2,352,000	3,277,000	3,527,000	3,688,000	3,642,000	3,210,000	3,712,000
DEPRECIATION	660,000	693,000	876,000	904,000	944,000	943,000	1,015,000	1,164,000	1,413,000	1,609,000



**Notes—**

1. There are Commitments in respect of Properties in course of development of approximately £3,750,000.
2. The Company's Subsidiaries, none of which is trading, are not represented in this Balance Sheet as their figures are insignificant.
3. The book values of certain Fixtures and Equipment amounting to £2,337,000 were transferred to the Properties Account prior to the Valuation.

PROFIT AND LOSS ACCOUNTANT FOR THE YEAR ENDED 31st MARCH, 1964

[illegible]

## CITY NOTES

THE 'weather-wise' in Throgmorton Street detect a changed stock-market atmosphere. The political storm clouds appear to be breaking up and even if the forecast cannot be given with any certainty as 'warm and bright', at least there is the prospect of bright intervals.

Conditions in the stock-market are admittedly thin. Modest support is having exaggerated effect on share prices, but the degree of support which is apparent suggests a view that a Labour victory in October is not necessarily the foregone conclusion that it was acknowledged to be a few months back.

There is, of course, a case to be made for equities under any — or either — political circumstances. Worth-while growth or intense inflation are, theoretically at least, all one to the equity market.

But there is an opinion, still tender and tentative at present, that the political risk in equities may prove worth accepting. Acceptance is currently on the part of the smaller rather than the bigger investor, as indeed it was at this time in 1959.

The May trade figures indicated that the economy is running the way the Chancellor of the Exchequer expected it to run, rather than the way some of the more doleful economic forecasters anticipated. There is still a fair way to go but the Election odds may begin to shorten.

A MIXED reception has been given in the City to the decision of Mr Leonard Matchan, F.A.C.C.A., to make a '1 for 4' scrip issue to Ordinary shareholders in Cope Allman Ltd in the shape of 5 per cent convertible 5s Ordinary shares which will be convertible into Ordinary shares when the company's profits, after tax, for two consecutive years twice cover

a dividend at the present rate on the whole of the issued capital.

Employees of the company are to be offered the convertible shares at par with, at present, up to 300,000 shares being made available. Mr Matchan sees the employees shares as an incentive, and the scrip issue as a means of getting the benefit of capital without carrying its cost until profits cover it. He maintains that he does not want to water down the equity.

A convertible equity is undoubtedly something new.

THE merchant banks are keeping as busy as ever. Baring Brothers, N. M. Rothschild & Sons and J. Henry Schroder Wagg & Co have arranged a \$15 million bond issue for the Portuguese Government, and Rothschilds themselves an \$8 million bond issue for Midtkraft Electricity of Denmark.

Hambros Bank has recently negotiated loans for the Finnish steel industry and for Danish municipalities; Kleinwort Benson have undertaken an investment in Simago S.A., the Spanish chain store company; and Lazards have successfully negotiated the first export finance agreement for a major Communist country export project with E.C.G.D. financial guarantee.

THE British Motor Corporation's exports are currently averaging 1,500 vehicles every working day. Since January, B.M.C. has delivered 164,000 vehicles overseas, an increase of 20 per cent on the comparable 1963 figures. Exports to Europe at 70,000 vehicles are also up by 20 per cent on last year and sales to North America are up by a third on 1963 figures.

## RATES AND PRICES

Closing prices, Wednesday, June 24th, 1964

Tax Reserve Certificates: interest rate 28.3.64 2½%

Bank Rate				Foreign Exchanges			
July 26, 1961	7%	Mar. 22, 1962	5%	New York	2.79 11	Frankfurt	11.10
Oct. 5, 1961	6½%	April 26, 1962	4½%	Montreal	3.02 11	Milan	1745 1
Nov. 2, 1961	6%	Jan. 3, 1963	4%	Amsterdam	10.11 11	Oslo	19.97 1
Mar. 8, 1962	5½%	Feb. 27, 1964	5%	Brussels	139.39	Paris	13.68 1
				Copenhagen	19.30 1	Zürich	12.05 1
Treasury Bills				Gilt-edged			
April 17	£4 6s 0.41d%	May 22	£4 7s 8.75d%	Consols 4%	64 11	Funding 3% 59-69	90 1
April 24	£4 6s 0.47d%	May 29	£4 7s 6.17d%	Consols 2½%	41	Savings 3% 60-70	87 1
May 1	£4 5s 11.91d%	June 5	£4 8s 6.92d%	Conversion 6% 1972	105 1	Savings 3% 65-75	79 1
May 8	£4 5s 11.47d%	June 12	£4 8s 8.49d%	Conversion 5½% 1974	97 1	Savings 2½% 64-67	92 1
May 15	£4 7s 3.60d%	June 19	£4 8s 9.84d%	Conversion 5% 1971	97	Treas'ry 5½% 2008-12	90 1
				Conversion 3½% 1969	91 1	Treasury 5% 86-89	87 1
				Conversion 3½%	56 1	Treasury 3½% 77-80	76 1
				Funding 5½% 82-84	94 1	Treasury 3½% 79-81	76 1
				Funding 4% 60-90	93 1	Treasury 2½%	41
				Funding 3½% 99-04	63 1	Victory 4%	97 1
				Funding 3% 66-68	90 1	War Loan 3½%	55 1
Money Rates							
Day to day	3½-4½%	Bank Bills					
7 days	3½-4½%	2 months	4½-4 11%				
Fine Trade Bills		3 months	4½-4 11%				
3 months	5½-6½%	4 months	4½-4 11%				
4 months	5½-6½%	6 months	4½-4 11%				
6 months	6-7%						

# Taxation Case

## C.I.R. v. F.S. Securities Limited

In the House of Lords – June 4th, 1964  
(Before Lord REID, Viscount RADCLIFFE, Lord  
HODSON, Lord GUEST and Lord UPJOHN)

*Surtax – Controlled company – Dealer in stocks and shares – Purchase of shares for dividend-stripping – Receipts of dividends – Whether an investment company – Income Tax Act, 1952, sections 257 (2), 341, 428, 525.*

The respondent carried on business as a dealer in stocks and shares. The Special Commissioners made a direction, under section 245 of the Income Tax Act, 1952, in respect of the respondent's income for the accounting period from September 1st, 1954, to March 31st, 1955, on the footing that the respondent was an investment company within section 257 (2).

During that accounting period the appellant bought all the shares in each of three companies for a total sum of £1,317,565. The assets of the three companies consisted almost entirely of liquid resources, and each company had a substantial balance of undistributed profit. The object of the respondent in buying the shares was to carry out an operation of dividend-stripping, and such an operation was duly carried out in respect of each of the three companies, and the respondent received a total of £1,686,198 gross in dividends. The shares in each of the three companies were retained by the appellant for any purpose that it could ultimately put them to, and their market value after the dividend-stripping was £424,114.

The respondent's trading and profit and loss account for the period in question showed as debits the £1,317,565 for purchases of securities, and £166,208 for the same purpose. On the credit side there was £135,357 for sales of securities, the £424,114 in respect of the shares in the three companies in hand, and £28,814 in respect of other securities. The account showed a loss of £895,487. It also showed the dividends amounting to £1,686,198 and £3,043 of other dividends. The respondent claimed repayment under section 341 of the Income Tax Act, 1952, in respect of tax deducted from the dividends from the three companies, and repayment of £404,820 was received.

It was contended on behalf of the respondent that it was not an investment company within section 257 (2) of the Act, because it carried on business of share-dealing, and the greater part of its income was derived from that source. It was contended on behalf of the appellants that as the greater part of the company's income during the period in question consisted of the dividends received in the dividend-stripping operations, the respondent was an investment company within section 257 (2). The Special Commissioners decided that these dividends were not earned income within section 525 (1) (c); and that the company was therefore an investment company within the subsection.

*Held* (reversing the decision of the Court of Appeal): The income of the respondent during the period from September 1st, 1954, to March 31st, 1955, was investment income, and the respondent was an investment company within section 257 (2) of the 1952 Act; and the direction made for the period was a valid direction.

# Correspondence

*The Editor does not necessarily agree with, or hold himself responsible for, the opinions expressed.*

## An Auditor's Approach to Sampling

SIR, – I read Mr R. S. Waldron's letter in your issue of May 23rd, with much interest, and fully endorse his remarks concerning the article by Mr K. A. Sherwood which appeared in your issue of May 2nd.

There is one thing which puzzles me, however, and which I feel merits further discussion, and that is why Mr Sherwood should write at some length on acceptance sampling and only briefly refer to discovery sampling at the end of his article, while Mr Waldron also discusses the former and makes no reference to the latter at all.

While I have not yet had an opportunity of studying the particular work of Professor Arkin to which reference has been made, and am therefore at a disadvantage in that respect, I have read another book under the combined authorship of the professor and two partners of a well-known firm of accountants practising in the U.S.A. entitled *Sampling in Auditing*, wherein the view is expressed that acceptance sampling is of limited value to the external auditor.

What is of particular interest to me is that the authors of this book evidently regard discovery sampling as being more appropriate than acceptance sampling for audit tests and are of the opinion that this method is useful where, owing to the effectiveness of the accounting procedures and internal control systems, only a comparatively small number of errors or omissions is anticipated by the auditor.

As statistical sampling plans are presumably most likely to be employed by auditors who encounter large 'populations' (i.e. in the larger type of audit, where one would generally find effective accounting procedures and internal control systems), it seems to follow, if the author's views are accepted, that audit tests based on discovery sampling would in many, if not the majority of, cases be the most appropriate form of statistical sampling.

I am not sure what Mr Waldron meant when he stated that a point not fully revealed by Mr Sherwood was that the auditor may wish to make his own pre-selection (e.g. of items in excess of a certain size or value), as this very situation appears to be covered in Mr Sherwood's article under the heading of 'Stratified and cluster sampling'.

Yours faithfully,  
W. K. WILLIAMS, F.C.A.

Bromley, Kent.

### Collating Small Sheets

A NEW device, called *Adaptatrays*, enables users of the 50-station Thomas Rotamatic collator to handle smaller size sheets such as 6mo, 8vo, A5, or any arbitrary size of 4 by 8 in., and a maximum of 11 by 14 in.

*Adaptatrays* can be fitted to machines already purchased and can be provided as an optional extra with new machines. They are custom-made to user specifications.

The 50-station Rotamatic is designed for collating a large number of sheets at high speeds. As well as being ideal for long runs, it will collate sheets in sets of from two to fifty in such a way that the full capacity of the stations is used. Any type of operation can be programmed. An automatic stitcher is available as an optional extra.

Price: Collator, £3,950; Trays, £25 per set.

Gordon & Gotch Ltd, Thomas Collator Division, 75 Farringdon Street, London EC4.

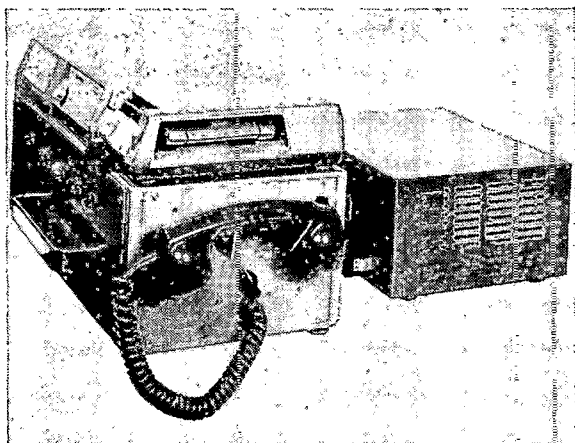
### Sound Control

A NEW, smaller voice-operated relay (V.O.R.) unit for use on the *Telecord* remote-control dictation system is now available from the Dictaphone Co Ltd. In the new unit, which measures 12 by 10 by 5½ in., transistors replace valves and the circuitry has been improved.

A little over a year ago, the Dictaphone Co installed the first *Telecord* system to have a V.O.R.

With V.O.R. all a dictator need do is to pick up his telephone, obtain access to a remote recorder and then just relax and speak. The V.O.R. unit not only does all the starting and stopping automatically for him, but it does more. If the dictator lowers his voice too much or takes his mouth too far away from the mouthpiece, the V.O.R. informs him. Whenever the volume of the dictator's voice is insufficient to energize the V.O.R., the recording stops and a high-pitched side tone is heard through the earpiece.

The unit is also of great help to the typist, for she hears a continuous recording always above a minimum sound level, while at the same time short pauses in the dictation such as indicate punctuation are retained. This is achieved by a two-second delay between the time the dictator stops speaking and the instant the recorder stops.



Dictaphone Telecord Recorder showing the new Voice-operated Relay attachment on right

## New Office

The recorder starts, however, immediately the dictator speaks. To avoid the clipping of the first syllable there is a delay channel. The dictator's voice is actually recorded a fraction of a second after the sound waves impinge on the microphone.

Price according to size of installation.

Dictaphone Co Ltd, 17 Stratford Place, London W1.

### Petrol: Profit or Loss

A REPORT prepared in 1962 by the Petroleum Retailers' Association Ltd, on the economics of petrol retailing, commented that the varied accounting systems operating in garages often left much to be desired. This was particularly true in the case of small and medium-sized garages.

The difficulty was that there seemed a lack of any easily understood and simple system that would give the proprietor a clear indication of his monthly progress. Something was needed to show whether the business was making a profit or a loss on sales, and which would allow appropriate steps to be taken in good time to correct any downward trend. Standard book-keeping procedures are not always understood and do not make the sort of information required easily and readily available to the untrained operator. The Association's accountant accordingly consulted the Twinlock office machines company.

The result was a prototype system that was installed for a six-month trial in a busy garage. Modified as a result of the experience, it is now on the market and available to the petrol retailer through his regular stationery or office equipment supplier.

The system can be operated by anyone, trained or untrained in accounting. By simply following a set of instructions provided with the system the proprietor can:

- (1) Exercise a day-to-day control of his finances from information largely available from his forecourt sheet.
- (2) Keep an up-to-date detailed analysis of income and expenditure.
- (3) See at a glance the balance of any sales or purchase ledger accounts.
- (4) Produce a sales-ledger record and statement at one writing.
- (5) Detail his fuel purchases on a ledger sheet designed to show (if required) the profit margin on every purchase.
- (6) Compile with ease a profit and loss statement monthly from readily available figures.
- (7) Maintain a simple wage/P.A.Y.E. record.

Perhaps the most important single advantage of this system is the ability to easily produce a monthly statement of profit and loss. The headache of doing this has been removed – and what a boon to a new business this information can be.

Price: Complete outfit £7.

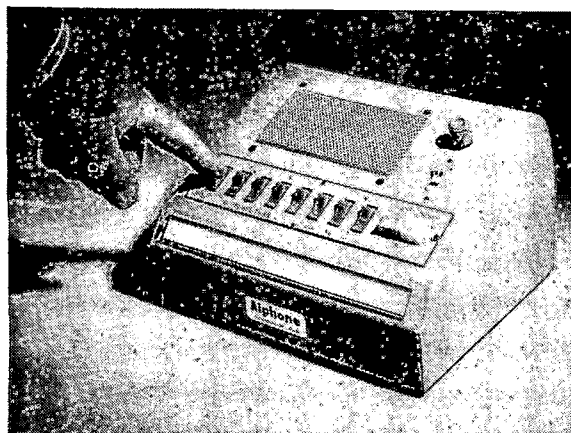
Percy Jones (Twinlock) Ltd, Beckenham, Kent.

# Equipment

## Inexpensive Intercom

**A**IPHONE is the name given to a new mains-powered intercom system. A master unit and eight slave stations costs as little as £71. The system can be supplied in permutations up to 36 stations. Light and buzzer calling, volume control and privacy button are features of the system.

Tecades Ltd, 182 Upper Richmond Road, London SW15.



*The Aiphone Intercom System*

## New Stencil Duplicator

**T**HIS year has seen the introduction of two Olivetti products – a spirit duplicator and a photocopier – not normally associated with the company. To these two products has now been added a third – a stencil duplicator, the *Sada Replic*.

This comes in two versions; the first is hand-operated while the second is power-operated and has a rated speed of sixty copies a minute. Apart from this basic difference, the remaining specifications are common to both models.

The friction feed will handle from a minimum size of 5 in. by 3 in. paper up to a maximum size of 14 in. by 8½ in.; the suppliers claim that weights can range from light-weight stencil duplicating paper to card. The feed tray has a maximum capacity of 500 sheets. Selective inking of certain areas of the stencil is also possible and there is a three-figure re-set copy counter.

Prices: *Replic E* £98; *Replic M* £69.

British Olivetti Ltd, 30 Berkeley Square, London W1.

## Saving Libraries Clerical Work

**D**ESIGNED specifically for library use the Remington Rand *Photo Charger Camera* fits neatly into a desk or counter top and has no overhead unit. All the clerk does to register an outgoing book is

to place a transaction card in the book pocket, lay the borrower's card alongside it and place both over a glass screen. Pressure on a pedal causes the camera to photograph a 14× reduced image on the film.

To load the camera, the librarian inserts a magazine containing spools both for feeding and receiving the film. As each exposure is made, the film is fed forward automatically and, as the film nears its end, a warning buzzer sounds. The finished film can be removed and a new magazine inserted in a matter of seconds.

Each magazine holds nearly 100 ft of unperforated 16 mm. microfilm to give some 4,000 exposures. To retrieve details for reminder cards, the librarian simply places the film in any suitable microfilm reader and feeds it up to the required transaction number. There are no cards to thumb over; no files to be searched.

Price: £330.

Remington Rand Ltd, 65 Holborn Viaduct, London. EC1.

## Document Copying

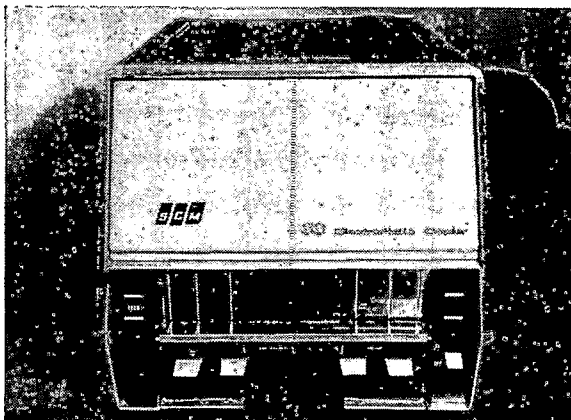
**S**MITH-CORONA Ltd have recently introduced the first document copying machine to their range of electrostatic equipment. The *Model 33*, as it is called, is a free standing, desk-top unit requiring no special installation. It measures 18 in. wide, by 16 in. high and 27 in. long, and plugs into the normal electricity supply.

The machine produces copies on a special microstatic paper which can be obtained in various sizes from 8 in. × 5½ in. to 17 in. × 11 in. Price per ream of 500 sheets of 10 in. × 8 in. paper, for example, comes out at £6 4s 1d, or nearly 3d per sheet. Quantity discounts are offered on orders from 5,000 to 50,000 sheets.

The operation of the *Model 33* is simplicity itself: load the magazine (it holds 250 sheets in all), switch on and insert the original copy. Six seconds later the machine delivers copy and original in separate stacks; the copy is clean and quite dry. Copies of brief size accounts can be made provided the width of the original is folded in two margins of 1¼ in.

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# FOURTEENTH NATIONAL TAXATION CONFERENCE

TORQUAY, OCTOBER 23rd to 26th, 1964

The fourteenth National Taxation Conference to be organized by our contemporary *Taxation* is to be held in Torquay from October 23rd to 26th.

The conference, which will be under the chairmanship of Mr Percy F. Hughes, Editor of *Taxation*, is open to accountants in practice and in industry and commerce, and to all those interested in the various phases of the law and practice of taxation.

The provisional programme outlined below gives details of the business sessions and varied social events arranged; there will also be an attractive programme for the lady visitors.

## PROVISIONAL PROGRAMME

All business sessions will be held in the Princess Theatre.

### Friday afternoon, October 23rd

SHORT INAUGURAL ADDRESS by the Conference Chairman, Mr Percy F. Hughes.

A CIVIC WELCOME by the Mayor of Torquay. It is hoped that lady visitors will attend these events.

ADDRESS by Mr E. Bramley, a Senior Principal Inspector of Taxes, Inland Revenue, on 'Some aspects of United Kingdom taxation in relation to international trade'.

Chairman: Mr William L. Milligan, B.A., C.A., J.P.

### Friday evening:

A RECEPTION AND COCKTAIL PARTY will be given by the Editor of *Taxation* in the Imperial Hotel Ballroom, to which all members and their ladies will be invited.

### Saturday morning, October 24th

BRAINS TRUST: Questions on quotations from the Income Tax Acts and Decided Cases in the Courts. Those taking part include Mr K. S. Carmichael, F.C.A., Mr J. M. Cooper, A.A.C.C.A., A.C.I.S., Mr H. W. Evans, H.M. Inspector of Taxes, Mr K. R. Tingley, A.A.C.C.A.

FOR THE LADIES: A coach tour of some of the beauty spots around Torquay.

### Saturday afternoon

ADDRESS by Professor A. R. Prest, Christ's College, Cambridge, on 'Economic aspects of taxation'.

Chairman: Mr Norman Cassleton Elliott, M.A., F.C.A.

ADDRESS by Mr T. A. Hamilton Baynes, M.A., F.C.A., on 'Valuation of shares in private companies'.

Chairman: Mr R. P. F. Olden, F.C.A.

### Saturday evening

CIVIC RECEPTION AND DANCE, to be given by the Mayor of Torquay in the Town Hall. Refreshments. Evening dress or dinner jacket. Invitations will be extended to all those attending the conference.

### Sunday morning, October 25th

MORNING SERVICE for conference members and their ladies at Holy Trinity Church, conducted by the Vicar, The Reverend K. P. Stewart, M.A.

GOLF COMPETITION: An eighteen-hole Stableford golf competition for the *Taxation* Challenge Cup will be held on the course of The Teignmouth Golf Club.

### Monday morning, October 26th

ADDRESS by Mr Thomas D. Lynch, C.A., on 'Allowances for capital expenditure on fixed and wasting assets'.

Chairman: Mr Charles E. Power, F.C.A., F.C.W.A.

ADDRESS by Mr J. Christie, A.C.A., on 'Recent legislation - the Finance Act, 1964'.

Chairman: Mr V. R. Chennell, F.A.C.C.A.

FOR THE LADIES: Another interesting event is being arranged for the lady guests to the conference, details of which will be published later.

## IN GENERAL

Special facilities will be granted to all members of the conference by the Corporation of Torquay.

Those who desire to attend the conference are asked to make a nominal contribution of three guineas each for participating members and two guineas each for wives and guests of members towards the conference expenses. No further charge will be made and all social functions will be free. Those who attend will only be required to pay for their hotel accommodation.

## REGISTRATION

Early application for registration for the conference is important as numbers have to be restricted.

Concessional fares are again being granted for conference members and travel order forms are available from the Conference Secretary. Early completion of the travel order form will be necessary for those who wish to take advantage of these arrangements, as it is essential for special coaches to be reserved well in advance.

Registration forms and lists of hotels will be forwarded upon request to: The Conference Secretary, 98 Park Street, London W1.

# Notes and Notices

## THE ACCOUNTANT

### Index to Vol. CL: January-June 1964

The general index to this volume - January to June 1964, Vol. CL - will be published with the issue dated July 4th, 1964.

The parts of this volume should therefore not be sent for binding until the index has been added.

## PROFESSIONAL NOTICES

MESSRS CANN, POLUS & Co, Certified Accountants, announce that their address is now 6 Cardiff Road, Luton, Beds. The telephone number is unchanged.

MESSRS CURTIS & Co, Chartered Accountants, announce that as from June 27th, 1964, their address will be 370 Uxbridge Road, Hayes, Middlesex. Telephone Hayes 8258.

MESSRS COOPER BROTHERS & Co, COOPERS & LYBRAND and CARTER & Co, announce that they have moved to Lyndon House, 62 Hagley Road, Edgbaston, Birmingham 16. The telephone number will remain unchanged as Edgbaston 4584.

MESSRS COLLIS & Co, Chartered Accountants, of Tanga, Tanganyika and Nairobi, Kenya, announce that Mr R. D. F. RAYMENT, F.C.A., retired from the partnership on May 31st, 1964. The practice will continue to be carried on by Mr N. V. F. COLLIS, C.A., and Mr E. B. PARRY, A.C.A.

MESSRS GODDARD, MELLERSH & LEPINE, Chartered Accountants, of 7 Warwick Court, Gray's Inn, London WC1, announce that Mr MICHAEL JOHN COOMBES, A.C.A., who has been a senior member of their staff for some years, has been taken into partnership as from June 1st, 1964. The firm's name remains unchanged.

MESSRS GRAY, STAINFORTH & Co, of 85 New Cavendish Street, London W1, regret to announce the death of Mr L. A. ANDERSON, F.C.A., who was a partner of the firm for many years.

MESSRS LOVELOCK & LEWES, Chartered Accountants, announce that, in addition to their head office at Calcutta and branches at Bombay and Madras, they have opened a further branch office at New Delhi, the address of which is 131 Golf Links, New Delhi 3.

MESSRS PAICE, CHATTERIS, BARCLAY & Co, announce that their practices at Ndola, Lusaka and Mufulira, and that of MESSRS RICHARD FARMER & Co at Kitwe and Chingola, MESSRS PARKHURST, CUTHBERT & BLACK at Livingstone and Lusaka, and MESSRS JOHNSON, PARSONS & LEFEVRE at Ndola and Mufulira, have been amalgamated. The style of the various practices will remain unchanged, but the Lusaka and Mufulira offices will be merged and will be carried on at Mutual House, Cairo Road, Lusaka, and Mutual House, Main Street, Mufulira. MESSRS R. E. FARMER, C. J. HUNTER, P. G. CUTHBERT and J. K. BLACK have been admitted as partners of PAICE, CHATTERIS, BARCLAY & Co, and MESSRS H. J. BARCLAY and J. ASHTON have been admitted as partners of RICHARD FARMER & Co, PARKHURST, CUTHBERT & BLACK, and JOHNSON, PARSONS & LEFEVRE.

Mr GILBERT J. SHEDDEN, F.C.A., F.A.C.C.A., practising as GILBERT J. SHEDDEN & Co, Chartered Accountants, and Mr G. L. MADELEY, F.A.C.C.A., A.T.I.I., practising as MADELEY & Co, Certified Accountants, announce that they have amalgamated their respective practices as from April 27th, 1964, and have also taken into partnership Mr W. J. R. JONES, A.A.C.C.A., A.T.I.I. The new firm will practise as SHEDDEN, MADELEY, JONES & Co, from 1 Birch Street, Wolverhampton.

MESSRS TAYLOR & HARMAN, Certified Accountants, announce that their address is now Gloucester House, 3 Gloucester Gardens, Cranbrook, Ilford, Essex. Telephone Valentine 4626.

MESSRS WHEAWILL & SUDWORTH, Chartered Accountants, of 35 Westgate, Huddersfield, and Leeds and London, announce that Mr H. MORRELL, F.C.A., will retire from the partnership on June 30th, 1964, to take up an executive appointment with The Readicut Wool Co Ltd.

## Appointments

Mr E. S. H. Eales, F.C.A., has been appointed chief financial officer of the Transport Holding Company.

Mr A. Fleming, A.A.C.C.A., secretary of Armour Hess Chemicals Ltd, has been appointed financial director of the company.

Mr L. J. Gravestock, A.A.C.C.A., F.C.I.S., has been appointed a director of Gardner, Mountain, D'Ambrumenil & Rennie Ltd.

Mr J. Gregor, B.COM., A.A.C.C.A., has been appointed secretary and chief accountant of a new statutory corporation which is being formed by the Government of Sierra Leone (West Africa) to take over from the Ministry of Communications all road transport in that country.

Mr Peter G. Jordan, F.C.A., has been appointed a member of the Sheffield board of directors of the British Law Insurance Co Ltd.

Mr J. D. Wilson, A.C.A., has been appointed secretary/accountant of Dalmas Ltd.

Mr A. E. Lewis, A.A.C.C.A., Permanent Secretary for Finance to the Northern Rhodesia Government, was awarded the C.B.E. in the Birthday Honours List.

Mr Edwin P. Hubbard, F.A.I.A., F.C.C.S., of London, has been unanimously elected chairman of the Association of International Accountants for the fifth consecutive year. Mr Hubbard, who is senior partner of Messrs Edwin Hubbard & Co, Chancery Lane, EC4, is also a member of the National Executive Committee of the Conservative and Unionist Party.

## LONDON GRADUATE SCHOOL OF BUSINESS STUDIES

Professor H. C. Edey, B.COM., F.C.A., Professor of Accounting, University of London, has been appointed a member of the Academic Planning Board of The London Graduate School of Business Studies which



(as one of the two new Business Schools) is to be set up in London under the joint auspices of the London School of Economics and Imperial College. The chairman of the Academic Planning Board will be Lord Plowden.

### IN PARLIAMENT

#### Companies and Public Corporations: Taxation

Sir R. RUSSELL asked the Chancellor of the Exchequer if he will state the amount paid in income tax, profits tax and corporation tax by companies in the public and private sectors of the economy, respectively, excluding tax paid by employees, in the last five years.

Mr GREEN: In the five years 1959 to 1963, inclusive, tax paid by public corporations amounted to £49 million and payments by companies in the private sector to £4,262 million. These figures cover income tax, profits tax and small amounts of excess profits tax and excess profits levy. Payments of corporation duty, which was abolished in 1959, were negligible. The figures exclude tax paid by employees and also income tax charged on companies and public corporations but recovered by them by deduction from payments of dividends and interest.

*Hansard*, June 8th, 1964. Written Answers. Col. 32.

#### £ Sterling: Purchasing Power

Mr WAINWRIGHT asked the Chancellor of the Exchequer by how much the £ sterling has diminished in value compared with July 1962.

Mr M. MACMILLAN: Taking the purchasing power of the £ sterling as 20s in July 1952, the comparable value for April 1964, the latest date available, was 15s 2d. This estimate is based on changes in the Consumer Price Index for calendar years, adjusted by movements in the Retail Price Index for the months at the beginning and end of the period.

*Hansard*, June 12th, 1964. Written Answers. Col. 120.

### ACCOUNTANCY AS A CAREER

A series of 'At home' meetings for teachers, pupils and parents is being held next month by the London and District Society of Chartered Accountants.

The meetings will be held in the Painters Hall, Little Trinity Lane, London EC4, from Wednesday to Thursday, July 15th and 16th, commencing at 4 p.m., when tea will be served. Visitors will then hear a short talk about the work of a chartered accountant and opportunities offered by the profession, followed by a question time period. As space is limited for these meetings, application for tickets for those wishing to attend should be made as soon as possible, indicating which day is preferred, to the secretary of the Society, Mr J. W. G. Cocke, T.D., M.A., F.C.A., 2 Norfolk Street, London WC2.

### PROGRAMMED LEARNING

The first issue of a new journal entitled *Programmed Learning* has been published by the Association for Programmed Learning. It is available from Sweet & Maxwell Ltd at 7s 6d or 21s per annum for three issues.

The first issue contains half a dozen articles on various aspects of this subject, its applications and potentialities. For any one wishing to keep abreast of this new and rapidly developing educational medium, this is a valuable publication.

### MANCHESTER SOCIETY OF CHARTERED ACCOUNTANTS

At the recent annual general meeting of the Manchester Society of Chartered Accountants, Mr D. N. Walton, F.C.A., a partner in the firms of Walton, Watts & Co,



Chartered Accountants, of Manchester, and Thornton Baker & Co, Chartered Accountants, of Manchester, was elected President of the Society for 1964-65.

Born in 1912 at Hale, Cheshire, and educated at Haileybury College, Mr Walton was articled to his father, the late Mr Tom Walton, who was Vice-President of The Institute of Chartered Accountants in

England and Wales from 1938 to 1942, and to the late Sir Arthur Cutforth, of Deloitte, Plender, Griffiths & Co. He was admitted to membership of the Institute in 1937. Mr Walton served throughout the Second World War in the Royal Artillery in the United Kingdom, the Middle East and Italy and was demobilized in 1945 with the rank of major. He subsequently, a year later, became a partner in Walton, Watts & Co, and in 1963 was made a partner in Thornton Baker & Co.

Mr Walton has been a member of the committee of the Society since 1956 and in 1962 served as President of The Manchester Chartered Accountants' Students' Society having been a member of the committee both prior to and after the Second World War. Outside his professional activities, he is chairman of British Glues and Chemicals Ltd and is actively interested in the United Voluntary Organizations of Manchester and Salford. A past captain of Bowdon Cricket Club, Cheshire, Mr Walton plays hockey with Bowdon Hockey Club, and played for Cheshire from time to time between 1939 and 1961.

Other officers elected for 1964-65 are as follows:

*Vice-President:* Mr J. A. Edwards, F.C.A.; *Hon. Secretary:* Mr D. A. Boothman, F.C.A., 46 Fountain Street, Manchester 2; *Hon. Treasurer:* Mr A. E. Armitage, M.A., F.C.A.; *Hon. Librarian:* Mr G. W. Murphy, J.P., B.A. (COM), F.C.A.

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## REVALUATION OF ASSETS

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**LIVERPOOL SOCIETY OF CHARTERED  
ACCOUNTANTS**

The annual golf competition of the Liverpool Society of Chartered Accountants was played at Royal Liverpool Golf Club on June 4th. The leading results under the ableford system of scoring were as follows:

		Points
I. W. Hollway	(10)	41
I. F. D Hill	(12)	37
E. S. Behn	(7)	37
C. B. Burrows	(16)	34
K. V. Dodman	(4)	34
G. H. Low	(14)	34
E. C. Harrison	(8)	33
G. B. Hodson	(11)	33
J. G. Hurst	(8)	33
T. D. Leece	(6)	33
W. S. Wicks	(12)	33
H. A. Fair	(6)	32
M. L. Kemp	(10)	32
B. M. Frazer	(14)	31
M. G. Lyon	(17)	31
J. A. Colvin	(8)	30
K. Duncan	(15)	30
D. W. R. Twist	(7)	30
P. Jeffery	(6)	30

**Articled Clerks' Section**

C. G. Clarke	(20)	32
R. G. Capes	(10)	31
I. G. Shaw	(18)	30

**BALANCE****London Chartered Accountants' Discussion  
Group**

A meeting of 'Balance' - a discussion group comprised of recently-qualified chartered accountants - will be held on July 7th at the Bonbonniere Restaurant, Woodstock Street, London W1. The guest speaker will be Mr A. J. C. Grant, M.Sc.(ECON.), F.C.I.S., Senior Lecturer at the Polytechnic School of Commerce and Social Studies, who will talk on 'Business games and their application in the wider training of chartered accountants'.

At the group's previous meeting held at The Ship, Finsbury Pavement, on June 2nd, the guest speaker was Mr E. Kenneth Wright, F.C.A., a member of the Council of The Institute of Chartered Accountants in England and Wales, who addressed members on 'The future image of the profession' and led the discussion which followed.

Membership of 'Balance' is expanding and further particulars regarding the activities of the group are available from Mr H. Couzens, A.C.A., 28 Belgrave Road, London SW1.

**NORTH YORKSHIRE CHARTERED  
ACCOUNTANTS**

At the annual general meeting of the North Yorkshire and South Durham Branch of the Northern Society of Chartered Accountants held at Billingham recently, the following officers and committee were elected for the year 1964-65.

*Chairman:* Mr H. B. Kilvington, F.C.A.

*Vice-Chairman:* Mr R. A. Branson, F.C.A.

*Secretary:* Mr A. D. Scott, A.C.A., c/o Imperial Chemical Industries Ltd, Agricultural Division, Billingham, Co. Durham.

*Treasurer:* Mr A. Arrand, A.C.A.

*Committee:* *Darlington representatives:* Messrs C. A. P. Snow, F.C.A.; C. D. Humphreys, F.C.A.; D. T. Bainbridge, F.C.A.; and J. H. Eltringham, F.C.A. *Middlesbrough:* Mr C. H. W. Sansom, F.C.A. *Stockton:* Mr J. A. Cook, F.C.A. *West Hartlepool:* Messrs J. C. Fortune, F.C.A., and F. Robinson, F.C.A.

**STOKE-ON-TRENT  
CHARTERED ACCOUNTANTS**

At the annual general meeting, of the Stoke-on-Trent Area Branch of the Birmingham and District Society of Chartered Accountants, held on June 4th, the following officers were elected for the year 1964-65:

*Chairman:* Mr C. W. Blagg, F.C.A.

*Immediate Past-Chairman:* Mr E. O. Toft, F.C.A.

*Founder Chairmen:* Mr F. W. Carder, F.C.A., and Mr F. G. Nicholas, F.C.A.

*Vice-Chairman and Hon. Secretary:* Mr N. E. Dunning, F.C.A., 17 Albion Street, Hanley, Stoke-on-Trent.

*Hon. Treasurer:* Mr S. R. Woodgett, F.C.A.

*Hon. Librarian:* Mr A. B. Snow, F.C.A.

*Committee:* Messrs E. Buxton, F.C.A., C. C. Bullock, T.D., J.P., F.C.A., C. Malkin, F.C.A., F. W. Carder, jun., T.D., F.C.A., H. Poole, F.C.A., P. Williams, F.C.A., and A. Tucker-Feltham, F.C.A.

**STARTING A BUSINESS?**

The attractions of Britain for overseas investors have recently made the headlines, but at all times banks and financial institutions are asked for information about conditions in Britain for the foreign investor. Martins Bank has just published a most useful handbook entitled *Starting a Business in Britain* designed to provide a thumb-nail background sketch to the United Kingdom economy. The Bank feels that this publication may be of interest to business men nearer home and are making it available free of charge at any of the Bank's branches or on application to the Advertising Department at Head Office. It contains a considerable amount of information about life in Britain and, for any one who has to entertain foreign business men, it would be a most useful reference book.

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## REPORT OF PATENT OFFICE

The Comptroller-General's annual report on the work of the Patent Office in 1963 now published (H.M. Stationery Office, price 1s 9d) states that applications for patents were again higher than at any time in the past, although the increase over 1962 was shared fairly evenly between those from this country and those from abroad. There were appreciable increases in applications from Japan and from the Soviet Union.

The Comptroller reports that, despite an increase of over two thousand in the number of complete specifications filed, the arrear of unexamined specifications was reduced for the second year in succession. The number of trade-mark applications again rose, although it has still not reached the peak recorded in 1960. The greatest number of marks registered was again in the pharmaceutical class. Applications for the registration of industrial designs increased slightly, but there was a fall of nearly 10 per cent in those in respect of textile articles.

## ECONOMIC CONDITIONS IN AUSTRIA

A further booklet in the 1964 series dealing with economic conditions in member and associated countries of the Organization for Economic Co-operation and Development has now been issued covering Austria. Copies of the booklet are obtainable from H.M. Stationery Office, price 5s each.

THE INSTITUTE OF CHARTERED  
ACCOUNTANTS IN ENGLAND AND WALES  
Members' Library

*The Librarian reports that among the books and papers acquired by the Institute in recent weeks by purchase and gifts are the following:*

- Accountancy questions and key; by W. Pickles: third edition. 1964. (Pitman, 37s 6d.)
- Accountant's Handbook of Formulas and Tables; by L. Lipkin, I. K. Feinstein and L. Derrick. Englewood Cliffs, N.J. 1963. (Prentice-Hall, 120s.)
- Advanced Cost Accountancy; by J. E. Smith and J. C. W. Day: second edition. 1964. (Gee, 25s.)
- Anleitung zur ordentlichen und gründlichen Abnahme der rechnungen...; by G. A. H. B. von Lamott. Leipzig. 1778. (24s 10d.)
- Applied Business Calculation; by C. E. Birch and V. W. Kline: third edition. New York. 1960. (McGraw-Hill, 19s.)
- The Efficiency Experts: an impartial survey of management consultancy; by Laura Tatham. 1964. (Business Publications, 36s.)
- The Fawley Productivity Agreements: a case study of management and collective bargaining; by A. Flanders. 1964. (Faber & Faber, 50s.)
- Handboek voor 't Italiaansch- of Dubbel Boekhouden; by H. Kolkert. Te Deventer. 1863. (23s 10d.)

- An Introduction to Critical Path Analysis; by K. G. Lockyer. 1964. (Pitman, 18s.)
- The Law of Contract; by G. C. Cheshire and C. H. S. Fifoot: sixth edition. 1964. (Butterworth, 55s.)
- The Law of Income Tax, Surtax and Profits Tax; by G. S. A. Wheatcroft. 1962. First Supplement by G. S. A. Wheatcroft and L. Lazar. 1964. (Sweet & Maxwell, 168s and 12s 6d.)
- Management Accounting in Practice: an examination of some of the problems that arise; by F. C. de Paula, F.C.A.: second edition. 1964. (Pitman, 22s 6d.)
- The Management of the British Economy 1945-60; by J. C. R. Dow. Cambridge. 1964. (C.U.P., 60s.)
- The Manual of Book-keeping... (Anonymous). 1843. (31s 9d.)
- Methode der landwirtschaftlichen buchhaltung...; by A. Thaers. Berlin. 1807. (47s 5d.)
- Modern Banking; by R. S. Sayers: sixth edition. Oxford. 1964. (Clarendon Press, 30s.)
- Pricing for Profit and Growth; by A. J. Bergfeld, J. S. Earley and W. R. Knobloch. Englewood Cliffs, New Jersey. 1962. (Prentice-Hall, presented by G. A. Holmes, F.C.A., 112s 6d.)
- Receivership under the Mental Health Act, 1959; by H. F. Compton and R. Whiteman: second edition. 1962. (Solicitors Law Stationery Soc., 12s 6d.)
- Rees's Probate Handbook: third edition (of Part I); by W. J. Pickering and A. W. Penny. 1964. (Butterworths, 37s 6d.)
- Road Transport Law: a summary of the legislation affecting the construction, equipment and use of motor vehicles; by L. D. Kitchen: fourteenth edition by E. K. Wenlock. 1964. (Iliffe, 21s.)
- Service Agreements; by T. M. Aldridge. 1964. (Oyez Publications, 12s 6d.)
- Statistical Forecasting for Inventory Control; by R. G. Brown. New York. 1959. (McGraw-Hill, 62s.)
- Taxation of Foreign Investment Income: an economic analysis; by Peggy B. Richman. Baltimore. 1963. (Johns Hopkins Press, 44s.)
- Thinking Machines: a layman's introduction to logic, Boolean algebra and computers; by I. Adler. 1961. (Dennis Dobson, 18s.)
- On Thinking Statistically; by M. B. Brodie. 1963. (Hutchinson, 12s 6d.)
- The Universal Dictionary of Trade and Commerce...; by M. Postlethwayt: fourth edition. Two volumes. 1774. (Hodgson, £27.)
- U.S. Master Tax Guide for... 1963 income and 1964 tax planning. (Commerce Clearing House). Chicago. 1963. (C.C.H., 27s.)
- Wealth, Income, and Intangibles; by J. E. Sands. Toronto. 1963. (University of Toronto Press, 32s.)
- World Tax Series: [ed] by W. S. Barnes: Taxation in the United States: [ed] by M. A. Chirelstein, L. Day, [and others]. Chicago. 1963. (Commerce Clearing House, 200s.)

## PARISH OR REGION?

A small number of copies of last week's issue contained a misprint in the leading article 'Parish or Region?' In the fifth line of the penultimate paragraph the word 'objection' appeared instead of 'obligation'.

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